

103
ENSURE ADEQUATE ACCESS TO RETAIL FOOD STORES BY RECIPIENTS OF FOOD STAMPS AND TO MAINTAIN THE INTEGRITY OF THE FOOD STAMP PROGRAM

Y 4. AG 8/1:103-48

Ensure Adequate Access to Retail Fo... **ING**

BEFORE THE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS
AND NUTRITION

OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

H.R. 3436

NOVEMBER 4, 1993

Serial No. 103-48



Printed for the use of the Committee on Agriculture

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ENSURE ADEQUATE ACCESS TO RETAIL FOOD STORES BY RECIPIENTS OF FOOD STAMPS AND TO MAINTAIN THE INTEGRITY OF THE FOOD STAMP PROGRAM

THURSDAY, NOVEMBER 4, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DEPARTMENT
OPERATIONS AND NUTRITION,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:35 a.m., in room 1300, Longworth House Office Building, Hon. Charles W. Stenholm (chairman of the subcommittee) presiding.

Present: Representatives Sarpalius, English, Glickman, Volkmer, Clayton, Holden, Farr, Pomeroy, Lambert, Smith of Oregon, Emerson, Allard, and Ewing.

Staff present: Julia M. Paradis, assistant counsel; Jan Rovecamp, clerk; Stan Ray, Anita R. Brown, Lynn Gallagher, and Pete Thomson.

OPENING STATEMENT OF HON. CHARLES W. STENHOLM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. STENHOLM. The subcommittee will come to order.

I thank all of you for coming to this hearing this morning on a matter of importance to food retailers and food stamp recipients alike. As you know, yesterday I introduced legislation that addresses widespread concern that a significant number of small retail food stores are currently at risk of losing their authorization to accept food stamps for food purchases. In addition, the legislation strengthens the hand of Secretary Espy in his efforts to reduce food stamp fraud.

I am pleased that this bill has solid support on both sides of the aisle and I look forward to its early passage. Most of you know that this situation developed when the Food and Nutrition Service of the U.S. Department of Agriculture began last winter to reauthorize food stamp retailers.

During that reauthorization process, the Food and Nutrition Service determined that a number of small retailer establishments, many of whom have been participating in the program for years, no longer meet the technical definition of retail food store in the Food Stamp Act.

USDA has informed us that these stores will soon have their authorization to participate in the Food Stamp Program withdrawn.

These withdrawals would not only disadvantage the retailers, but would deny ready access by food stamp households to a food store. This is a particular problem in rural areas and in inner cities where there are few supermarkets.

My bill will remedy this situation. This bill will require that a retailer, to be eligible to participate in the Food Stamp Program, sell on a continuous basis a wide variety of staple foods and also sell perishable foods. An alternative requirement in this bill requires that a retailer have over 50 percent of its total sales volume, not simply its food sales volume, in staple foods.

I believe that either of these requirements will ensure that only those stores which sell a significant number of staple foods will be eligible to participate. That is certainly my intention.

This legislation does nothing to change the current prohibition on the participation of certain types of stores, such as stores which sell only accessory foods, including spices, candy, soft drinks, tea or coffee, ice cream vendors; and specialty doughnut shops. The bill also amends the Food Stamp Act to strengthen the authority of the Secretary to maintain program integrity. It permits the use and disclosure of information provided by retail food stores and wholesale food concerns to State and Federal law enforcement and investigative agencies for the purposes of administering or enforcing the Food Stamp Act or other Federal or State law.

The bill also establishes penalties to be imposed against those who publish, divulge, or disclose to any extent not authorized by Federal law any of the information obtained pursuant to this amendment.

Finally, the bill requires that the Secretary use up to \$4 million from the funding provided for demonstration projects to conduct projects in which State or local food stamp agencies can test new ideas for working with State or local law enforcement agencies to investigate and prosecute street food stamp trafficking.

Trafficking refers to a transaction in which food stamps are traded for cash or other goods, usually at a rate significantly below their benefit value. Trafficking in food stamps has always been prohibited by the Food Stamp Act.

This bill accomplishes two important goals. First, it ensures that the purpose of the Food Stamp Program, as stated in the Food Stamp Act, "to permit low-income households to obtain a more nutritious diet through normal channels of trade," is maintained. Food stamp recipients will continue to be provided with adequate access to a wide variety of nutritious foods. Second, the bill provides additional authority to the Secretary to enhance the Department's efforts at reducing fraud and abuse in the Food Stamp Program.

I look forward to the testimony to be presented here this morning on this important and timely legislation.

[H.R. 3436 and the report from U.S. Department of Agriculture follows:]

103D CONGRESS
1ST SESSION

H. R. 3436

To amend the Food Stamp Act of 1977 to ensure adequate access to retail food stores by recipients of food stamps and to maintain the integrity of the Food Stamp Program.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 3, 1993

Mr. STENHOLM (for himself, Mr. DE LA GARZA, Mr. ROBERTS, Mr. SMITH of Oregon, Mr. ALLARD, Mr. BOEHNER, Mr. BONILLA, Mrs. CLAYTON, Mr. COMBEST, Mr. DOOLEY, Mr. EMERSON, Mr. HOLDEN, Mr. KINGSTON, Ms. LAMBERT, Ms. LONG, Mr. MINGE, Mr. PASTOR, Mr. PENNY, Mr. POMEROY, Mr. ROSE, Mr. HALL of Ohio, and Mr. BISHOP) introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Food Stamp Act of 1977 to ensure adequate access to retail food stores by recipients of food stamps and to maintain the integrity of the Food Stamp Program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. FOOD STAMP ACT DEFINITIONS.**

4 Effective on the date of enactment of this Act, section
5 3 of the Food Stamp Act of 1977 (7 U.S.C. 2012) is
6 amended by—

1 (1) amending clause (1) of subsection (k) to
2 read as follows:

3 “(1) an establishment or house-to-house trade
4 route which sells food for home preparation and con-
5 sumption and (A) offers for sale on a continuous
6 basis a variety of foods in each of the four categories
7 of staple foods as defined in subsection (u), includ-
8 ing perishable foods in at least two such categories,
9 or (B) has over 50 percent of its total sales in staple
10 foods as defined in subsection (u) of this section, as
11 determined by visual inspection, sales records, pur-
12 chase records, counting of stock keeping units, or
13 other inventory or accounting recordkeeping methods
14 that are customary or reasonable in the retail food
15 industry.”;

16 (2) adding the following new sentence at the
17 end of subsection (k): “An establishment or house-
18 to-house trade route that is authorized at the time
19 of implementation of clause (1) may be considered to
20 meet this definition until its periodic reauthorization
21 or until such time as the eligibility of the firm for
22 continued participation in the food stamp program is
23 evaluated for any reason.”; and

24 (3) adding a new subsection (u) at the end
25 thereof to read as follows:

1 “(u) ‘Staple foods’ means foods in the following cat-
2 egories: (1) meat, poultry, or fish; (2) bread or cereals;
3 (3) vegetables or fruits; and (4) dairy products; but does
4 not include accessory food items such as coffee, tea, cocoa,
5 carbonated and uncarbonated drinks, candy, condiments
6 and spices.”.

7 **SEC. 2. PERIODIC NOTICE.**

8 Section 9(a)(2) of the Food Stamp Act of 1977 (7
9 U.S.C. 2018(a)(2)) is amended to read as follows:

10 “(2) The Secretary shall issue regulations providing
11 for a periodic reauthorization of retail food stores and
12 wholesale food concerns, and providing for periodic notice
13 to participating retail food stores and wholesale food con-
14 cerns of the definitions of ‘retail food store’, ‘staple foods’,
15 ‘eligible foods’, and ‘perishable foods’.”.

16 **SEC. 3. USE AND DISCLOSURE OF INFORMATION PROVIDED**
17 **BY RETAIL FOOD STORES AND WHOLESALE**
18 **FOOD CONCERNS.**

19 Section 9(c) of the Food Stamp Act of 1977 (7
20 U.S.C. 2018(c)) is amended—

21 (1) in the second sentence by inserting after
22 “disclosed to and used by” the following: “Federal
23 law enforcement and investigative agencies and law
24 enforcement and investigative agencies of a State
25 government for the purposes of administering or en-

1 forcing the provisions of this Act or any other Fed-
2 eral or State law and the regulations issued under
3 this Act or such law, and”;

4 (2) by inserting after the second sentence the
5 following: “An officer or employee of an agency de-
6 scribed in the preceding sentence who publishes, di-
7 vulges, discloses, or makes known in any manner or
8 to any extent not authorized by Federal law any in-
9 formation obtained under the authority granted by
10 this subsection shall be subject to section 1905 of
11 title 18 of the United States Code.”; and

12 (3) in the last sentence by striking “Such pur-
13 poses shall not exclude” and inserting the following:
14 “Such regulations shall establish the criteria to be
15 used by the Secretary to determine that such infor-
16 mation is needed. Such regulations shall not pro-
17 hibit”.

18 **SEC. 4. DEMONSTRATION PROJECTS TESTING ACTIVITIES**

19 **DIRECTED AT STREET TRAFFICKING IN COU-**
20 **PONS.**

21 Section 17 of the Food Stamp Act of 1977 (7 U.S.C.
22 2026) is amended by adding a new subsection (1) at the
23 end thereof as follows—

24 “(1) The Secretary shall use up to \$4 million
25 of funds provided in advance in appropriations Acts

1 for projects authorized by this section to conduct
2 projects in which State or local food stamp agencies
3 test innovative ideas for working with State or local
4 law enforcement agencies to investigate and pros-
5 ecute coupon street trafficking by recipients, buyers,
6 and authorized retail food stores.”.

○

BRIEF EXPLANATION

Section 1. Food Stamp Act definitions

Currently, the Food Stamp Act requires that a food store, in order to participate in the Food Stamp Program, have over 50 percent of its food sales volume in staple foods. Section 1 of this bill requires that a retail food store (1) have over 50 percent of its total sales volume in staple foods OR, (2) offer, on a continuous basis, a variety of food in each of four categories of staple foods, and sell perishable foods in at least two of these categories of staple foods. The staple food categories, as defined in the bill, are (1) meat, poultry, or fish; (2) bread or cereals; (3) vegetables or fruits; and (4) dairy products.

Section 2. Periodic notice

Current law authorizes the Secretary to issue regulations providing for a periodic reauthorization of stores. USDA has issued proposed regulations under this authority and has begun the reauthorization process. Section 2 of the bill requires that the Secretary issue regulations providing for this periodic reauthorization process. Section 2 also requires that these regulations provide for periodic notice to participating stores of the definitions of "retail food store", "staple foods", "eligible foods", and "perishable foods".

Section 3. Use and disclosure of information provided by retail food stores and wholesale food concerns.

Section 3 permits the use and disclosure of information provided by stores to State and Federal law enforcement and investigative agencies for the purposes of administering or enforcing the Food Stamp Act or other Federal or State law. Use and disclosure of this information is currently restricted to persons directly connected with the administration and enforcement of the Food Stamp Program, as well as State agencies that administer the Special Supplemental Food Program for Women, Infants and Children (WIC). This section also establishes penalties to be imposed against those who misuse any of the information.

Section 4. Demonstration projects testing activities directed at street trafficking in coupons

Section 4 requires that the Secretary conduct demonstration projects in which State or local food stamp agencies can test new ideas for working with State or local law enforcement agencies to investigate and prosecute street food stamp trafficking.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

- 23

Honorable Thomas S. Foley
Speaker of the House
of Representatives
H 204 Capitol
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for the consideration of the Congress is a bill to amend the Food Stamp Act of 1977, as amended. This bill is entitled "The Retail Food Store Authorization Act of 1993." Also enclosed is an explanation of the provisions of the bill.

The bill would revise the Act's definition of "retail food store" and establish a definition for "staple foods." These amendments are necessary to effectuate the purposes of the Food Stamp Program, which include providing access to a wide variety of nutritious foods to food stamp recipients. The amendments are also necessary to enable a satisfactory resolution of the Department's recent reauthorization project which resulted in the denial of authorization to a great many retail firms whose participation in the program is beneficial to recipients. The bill is estimated to have no budgetary impact.

A similar letter is being sent to the President of the Senate.

The Office of Management and Budget advises that there is no objection to the transmittal of the Retail Food Store Authorization Act of 1993 to the Congress from the standpoint of the Administration's program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mike Espy".

MIKE ESPY
Secretary

Enclosures

A BILL

To better ensure that the purposes of the Food Stamp Program are effectuated by revising the definition of retail food store and establishing a definition for staple foods in order that food stamp recipients will be assured of access to a wide variety of nutritious foods.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Retail Food Store Authorization Act of 1993".

REVISED DEFINITION OF RETAIL FOOD STORE AND
NEW DEFINITION OF STAPLE FOODS

SEC. 1. Effective on the date of enactment of this Act, section 3 of the Food Stamp Act of 1977 (7 U.S.C. 2012) is amended by--

(1) amending clause (1) of subsection (k) to read as follows--

"(1) an establishment which sells food for home preparation and consumption and (A) offers for sale on a continuous basis a variety of foods in each of the four categories of staple foods as defined in subsection (u), including perishable foods in at least two such categories, or (B) has over 50 per cent of its total sales in food as defined in subsection (g) of this section, as determined by visual inspection, sales records, purchase records, counting of stock keeping units, or other inventory or accounting recordkeeping methods that are customary or reasonable

in the retail food industry. An establishment that is authorized at the time of implementation of this clause may be considered to meet this definition until such time as the eligibility of the firm for continued participation in the food stamp program is evaluated for any reason."; and

(2) adding a new subsection (u) at the end thereof to read as follows--

"(u) "Staple foods" means foods in the following categories: (1) meat, poultry, or fish; (2) bread or cereals; (3) vegetables or fruits; and (4) dairy products; but does not include accessory food items such as coffee, tea, cocoa, carbonated and uncarbonated drinks, candy, condiments and spices."

EXPLANATION

RETAIL FOOD STORE AUTHORIZATION ACT OF 1993

Revised Definition of Retail Food Store and New Definition of Staple Foods

Section 1 would amend Section 3 of the Food Stamp Act to revise the definition of "retail food store" in subsection (k) and add a new subsection (u) to define "staple foods". These amendments are necessary to ensure that the purposes of the Food Stamp Program are effectuated. Those purposes include providing food stamp recipients with access to a wide variety of nutritious foods. The current definition of "retail food store" does not permit the authorization of retail establishments that may be commonly recognized as food stores because they sell a high proportion of food items not recognized as staple foods. Under the proposed definition, the Department would continue the current prohibition on the participation of certain types of stores which do not effectuate the purposes of the Food Stamp Program, such as stores which sell only accessory foods such as spices, candy, soft drinks, tea, or coffee; ice cream vendors purveying solely ice cream; and specialty donut stores not selling other bakery or bread products. This prohibition has been in effect since 1977.

By revising the definition of "retail food store" and establishing a definition of "staple foods," it will be possible to assure that retail food outlets that are authorized to participate in the program offer for sale a variety of nutritious food on a continuous basis.

At the same time it will not result in a large number of stores losing their authorization to accept food stamps. As a result of the reauthorization project undertaken by the Department, we have discovered that a number of stores that had been authorized to accept food stamps no longer qualified to participate because they no longer met the 50 percent staple food requirement. These stores are primarily convenience stores. However, in view of the historic participation of these stores, some recipients have probably come to rely on them as the prime source of many food items. By revising the definition, those convenience stores that offer food stamp recipients a wide variety of nutritious food can continue to participate in the Program and thus provide a service to low-income members of the community.

Section 3(k) of the Food Stamp Act would be amended to provide that a retail food outlet must meet one of two criteria in order to be authorized to accept and redeem food stamps. The first criterion states that an outlet may qualify as a "retail food store" if it offers for sale on a continuous basis a variety of food classified in each of the four staple food categories defined in new subsection (u) as follows: (1) meat, poultry, or fish; (2) bread or cereals; (3) vegetables or fruits; and (4)

dairy products. In addition, the definition would require that a retail food store, in order to be qualified to be authorized to accept food stamps, sell perishable foods in at least two of these categories of staple foods.

For the purpose of this amendment, the term "continuous basis" means that on any day a food stamp recipient should be able to purchase at the retail outlet a variety of items from all four of the staple food categories. An example of perishable foods would be foods that would undergo spoilage or significant deterioration in quality within 30 days. This requirement would ensure that a retail food store that qualifies for the program will experience turnover of the items required to be sold.

The alternative method of qualifying as a retail food store requires that an outlet must have over 50 percent of its total sales in eligible food. Thus, stores which sell only meat, poultry, fish, or produce would continue to qualify. The use of staple food as a percentage of food sales has created difficulties for many stores which often do not keep records regarding which of their food sales are made up of staple foods. The amendment will eliminate these difficulties because the new standard will only require that stores show the percentage of total sales that are food sales.

Under the proposed definition, firms which should qualify for authorization would include supermarkets; full-line grocery stores; convenience stores; stores which sell meat, poultry, or fish; stands which sell agricultural commodities; farmers' markets; day-old bread stores; bakeries which sell bread; and nonprofit cooperative food-purchasing ventures which are licensed to sell food in the State and locality in which they are operating.

Mr. STENHOLM. Mr. Smith.

**OPENING STATEMENT OF HON. ROBERT F. (BOB) SMITH, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF
OREGON**

Mr. SMITH of Oregon. Thank you, Mr. Chairman. I am pleased that the subcommittee will be hearing from the Department of Agriculture concerning this important issue, what types of retail food stores should be authorized to accept food stamps.

The chairman has introduced a bill, and I compliment him for that. In fact, I am a cosponsor of that bill and I think we are moving rapidly on a bipartisan support for change and the method by which we distribute food stamps. Obviously, with the growth in food stamps, with spending some \$28 billion in this budget, it is a huge program and a great responsibility for the Department of Agriculture to oversee.

I hope the purpose will be, out of all of this, to improve the levels of nutrition for needy families, at the same time, reducing or trying to attempt to reduce the exchanges of food stamps for other than nutritious value.

So thank you, Mr. Chairman, for these hearings and I look forward to listening to your witnesses.

[The prepared statement of Mr. Smith of Oregon follows:]

STATEMENT OF THE HONORABLE BOB SMITH
SUBCOMMITTEE ON DEPARTMENT OPERATIONS AND NUTRITION
FOOD STAMP PROGRAM AND RETAIL FOOD STORES

NOVEMBER 4, 1993

THANK YOU MR. CHAIRMAN. I AM PLEASED THAT THE SUBCOMMITTEE WILL BE HEARING FROM THE DEPARTMENT OF AGRICULTURE CONCERNING THE ISSUE OF WHAT TYPES OF RETAIL FOOD STORES SHOULD BE AUTHORIZED TO ACCEPT FOOD STAMPS. THE CHAIRMAN HAS INTRODUCED A BILL TO CHANGE THE CURRENT DEFINITION OF RETAIL FOOD STORES. I AM A SPONSOR OF THAT BILL.

I BELIEVE IT IS ESSENTIAL THAT THE STORES THAT THE DEPARTMENT OF AGRICULTURE AUTHORIZES TO ACCEPT FOOD STAMPS ARE, IN FACT, FOOD STORES THAT SELL A WIDE VARIETY OF FOOD ITEMS CONTINUOUSLY. THERE IS NO LIMITATION OR DISTINCTION ON THE TYPES OF FOOD THAT CAN BE PURCHASED WITH FOOD STAMPS. THE ONLY REQUIREMENT IS THAT THE FOOD PURCHASED BE FOR CONSUMPTION AT HOME. TOBACCO, ALCOHOL AND HOT FOODS READY FOR IMMEDIATE CONSUMPTION ARE THE ONLY FOOD ITEMS NOT ELIGIBLE TO BE PURCHASED WITH FOOD STAMPS.

THEREFORE IT IS IMPORTANT THAT THE STORES THAT ARE AUTHORIZED BY USDA REALLY ARE FOOD STORES IN ORDER TO LIMIT

THE OPPORTUNITIES FOR USE OF FOOD STAMPS FOR INELIGIBLE ITEMS.

THE FOOD STAMP PROGRAM IS THE FEDERAL GOVERNMENT'S LARGEST FOOD ASSISTANCE PROGRAM AND ONE OF ITS MOST EXTENSIVE WELFARE PROGRAMS. MORE THAN 40 MILLION PEOPLE PARTICIPATE EACH YEAR AND AN AVERAGE OF APPROXIMATELY 30 MILLION PEOPLE RECEIVE FOOD STAMP BENEFITS EACH MONTH. THE FUNDS APPROPRIATED THIS YEAR FOR THE FOOD STAMP PROGRAM TOTAL \$28 BILLION. ACCORDING TO USDA 210,000 FOOD STORES ARE AUTHORIZED TO ACCEPT FOOD STAMPS.

THESE NUMBERS REFLECT THE GROWTH OF THE FOOD STAMP PROGRAM AND REQUIRE USDA TO ADMINISTER THE PROGRAM IN AN EFFECTIVE AND EFFICIENT MANNER. USDA MUST ENSURE THAT THE BOTH THE PEOPLE AND THE STORES PARTICIPATING MEET THE REQUIREMENTS OF THE FOOD STAMP ACT.

I HOPE THAT THE SUBCOMMITTEE CAN RECEIVE THE ASSURANCES OF THE ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES THAT THE FOOD STAMP PROGRAM IS ADMINISTERED IN SUCH A MANNER AND THAT THE GOAL OF THE FOOD STAMP PROGRAM---IMPROVED LEVELS OF NUTRITION FOR NEEDY FAMILIES---IS BEING MET.

THANK YOU MR. CHAIRMAN.

Mr. STENHOLM. I would note that Chairman de la Garza and Mr. Roberts, the ranking minority member, also join with Mr. Smith of Oregon and myself and several other members of the full Agriculture Committee, in cosponsorship of this legislation.

Let me at this time call the first witness, Ellen Haas, Assistant Secretary for Food and Consumer Services.

Ellen, welcome.

STATEMENT OF ELLEN HAAS, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY GEORGE A. BRALEY, ACTING ADMINISTRATOR, AND RICHARD D. LONG, DEPUTY ASSISTANT INSPECTOR GENERAL, AUDITS

Ms. HAAS. Thank you very much, Mr. Chairman, Congressman Smith. I am Ellen Haas, Assistant Secretary for Food and Consumer Services. I would like to thank you very much for inviting me here today to express the Department's support for food stamp legislation dealing with retail food stores.

As you know, my mission as Assistant Secretary is providing access to a nutritious diet to needy Americans through USDA's 14 food assistance programs.

Today's hearing is important because it is an opportunity to draw attention to the issue of access. Secretary Espy and I are both committed to reducing the barriers that limit access to food for program participants, particularly those barriers that can exist in rural, poor counties or in inner city communities.

And under Secretary Espy's plan to emphasize nutrition as a central mission of USDA, we are currently developing, as you know, several approaches to integrate nutrition education into our programs, particularly the Food Stamp Program. Through nutrition education, food stamp recipients will have the knowledge and tools to make nutritionally aware food purchases.

By placing an emphasis on access and nutrition, we are really reinventing the Food Stamp Program as one that promotes health and builds program integrity.

The bills we are discussing today would make changes in the Food Stamp Act that will add greatly to the Department's ability to continue to achieve the purposes of the program in the area of authorizing stores to accept food stamps from participating households. Such purposes include providing food stamp recipients with maximum access to the stores that provide food and ensuring that a wide variety of foods are available for purchase with food stamps.

The specific changes would amend the Food Stamp Act to revise the definition of retail food store and add a new definition for staple foods.

The current definition of retail food store requires that over 50 percent of a firm's food sales be comprised of staple foods. This definition has neither kept pace with changing retailer practices over the years nor consumer shopping practices which have changed dramatically. It is too rigid to encompass the authorization or continued participation in the program by retail establishments that are now commonly recognized as food stores and, yet, it is too flexi-

ble to completely prohibit participation of firms that clearly are not food stores. Prompt enactment of legislation will clarify this issue.

The Department has long been aware that the current definition of retail food store encompassed many varieties of so-called marginal stores, stores such as gas stations, bars or party stores that primarily sell nonfood items, but also sell the required proportion of staple foods in relation to limited food sales. The participation of such stores has harmed the program's image.

However, the problem with the rigidity of the definition became readily apparent in 1992 when the Department undertook a periodic reauthorization of retail firms, as authorized by the 1990 farm bill. About 56,000 convenience stores are authorized to accept food stamps and provide a necessary service to many food stamp households. However, a large number of these stores indicated on their reauthorization applications that they no longer could meet the required staple foods to food sales ratio.

The act's definition permits no leeway. The Department must continue removing these stores' authorizations to accept food stamps unless a legislative remedy, as proposed by you, Mr. Chairman, can be provided. We believe that this bill is the best vehicle for resolving this issue.

The bill would require a retail food outlet to meet one of two criteria in order to be authorized to accept and redeem food stamps. The first criterion states that an outlet may qualify as a retail food store if it offers for sale on a continuous basis a variety of food classified in each of four staple food categories.

In addition, the criteria would require that a retail food store seeking to be authorized to accept food stamps sell perishable foods in at least two of these four categories. This requirement would ensure that an authorized retail food store will experience turnover of at least some of its staple food items.

The alternative method of qualifying as a retail food store requires that an outlet must have over 50 percent of its total sales in staple foods. Thus, stores which sell only meat, poultry, fish, or produce would continue to qualify.

Under the proposed definition, firms which should qualify for all the authorization would include a wide variety. They include supermarkets, full-line grocery stores, convenience stores, stores which just sell meat, poultry, fish, or produce; stands which sell agricultural commodities; farmers' markets; day-old bread stores; bakeries which sell bread; house-to-house trade routes; and nonprofit cooperative food-purchasing ventures which are licensed to sell food in the State and locality in which they are operating.

The new definition of staple foods in the bill will enable the Department to assure that retail food outlets that are authorized to participate in the program under the first criterion offer for sale a variety of food on a continuous basis.

Neither of the changes included in the bill will have an impact on the Department's continued prohibition against the participation of certain types of stores which do not effectuate the purposes of the Food Stamp Program. Examples of these stores are those which sell only accessory foods, such as spices, candy, soft drinks, et cetera. This prohibition has been in effect since 1977.

At the same time, the bill should not result in a large number of stores losing their authorization to accept food stamps. For instance, marginal stores, such as party and liquor stores and gas stations which carry primarily snack items may not meet either of the new criteria. This would not negatively impact recipient access since these firms neither carry a variety nor sell a significant volume of staple foods. As I mentioned earlier, limiting the participation of these types of firms would improve the program's image.

Enactment of legislation will enable the Department to appropriately oversee the authorization process while assuring continued access for food stamp households to a variety of firms.

We look forward to working with the committee as the bill moves toward enactment. Thank you very much. I would be happy to take any questions.

[The prepared statement of Ms. Haas appears at the conclusion of the hearing.]

Mr. STENHOLM. Ms. Haas, one thing we want to make sure of is that all the stores that have had their authorizations withdrawn, or threatened to be withdrawn, under the recent reauthorization process, or have had their withdrawal put on hold pending passage of this legislation, will they have their situation reevaluated under this bill as soon as it is enacted? We don't want you to wait for a year or 2 until final regulations are published.

Can you assure me that this will be done?

Ms. HAAS. I can assure you it is absolutely no problem, and we are here today to express our desire to move quickly to resolve the issue and to make sure that access is achieved in those places where it is needed.

Mr. STENHOLM. I believe I speak for all members of this committee when I say we are always pleased to support legislation that addresses the problem of fraud in our Food Stamp Program. Nonetheless, the demonstration project we have added to the bill at the request of Mr. Roberts, a proposal that originated last summer with USDA, does raise a question at least in my mind.

Do you really need \$4 million to test these innovative ideas or could we get by with about \$1 million?

Ms. HAAS. That sounds like a Chairman Stenholm question. Let me say to begin with that this is authority that we have sought in the past. We think that the issue of trafficking is a very important one. And we want to reduce it. It is a serious problem for us.

We feel that it is important that the legislation stay up to \$4 million and give us the flexibility to see what is necessary. I am not so sure it will take \$4 million. We have several tracks going as far as reducing trafficking. One certainly would be this pilot. But another is moving ahead very quickly with EBT, the electronic benefits transfer program.

With the EBT card, trafficking is reduced significantly and so this is one of our priorities in the Department for enhancing program integrity. It is a long answer. I am not so sure \$1 million will do it but \$4 million may be too much. So give us the flexibility "up to."

Mr. STENHOLM. And that is certainly what the legislation intends to do, and I wanted to bring this up because we are criticized quite

often in Congress in general regarding some of our pilot projects, some of our research programs.

I know you understand as all of us on this committee understand that we do not have the dollars anymore. In fact, we are being cut severely in agriculture time and time again and, therefore, it is in all of our best interests that we do ask that question and you have satisfactorily answered it. We are going to take a good look at it and not spend any more than we have to but spend enough to make certain that we achieve the goals.

Because if there is one area that we must continue to address, it is the question of fraud, because it is the one that gives us the biggest black eye out in the country and it is an area that we need to take a look at, and so I appreciate your answer to that.

Mr. Smith, any questions.

Mr. SMITH of Oregon. Yes, thank you, Mr. Chairman.

Welcome, Ms. Hass.

Ms. HAAS. Thank you very much.

Mr. SMITH of Oregon. We all know that food stamp trafficking is a problem. How much of a problem is it? What percentage?

Ms. HAAS. What is so difficult is that we don't know. I know connected with EBT there have been estimates of losses that are very significant. We could get back to you with what those specific amounts are. I have here with me, Dick Long, who is the Deputy Assistant Inspector General for Audits, and George Braley, who is our Acting Administrator of the Food and Nutrition Service. I don't know if George has any specific figures on that.

Mr. BRALEY. We don't have specific estimates of trafficking because by nature it is an illegal activity and so it is hard to quantify. We know there is too much of it. We see instances of situations, particularly in large cities, where street trafficking is a common problem and we want to support the initiative to do some demonstration projects to see if there are ways to more effectively deal with it, innovative ways involving State and local law enforcement officials as well.

Mr. SMITH of Oregon. Ultimately, food stamps end up in stores, they have to. Do you have any record of monitoring or are you putting in place a plan to monitor stores that have been known to traffic or at least the recipient of trafficking in that particular store?

Ms. HAAS. We do definitely have a plan for dealing with both the problems of trafficking and the problems of unauthorized food stores. We have a report here of the kinds of things that we are looking for and checking. I will let George tell you more about that.

Mr. BRALEY. Mr. Smith, we do have a compliance staff that monitors the retail aspects of the Food Stamp Program on an ongoing basis throughout the country. The Inspector General's office makes a major investment of their resources in terms of looking at trafficking issues.

To give you an example of trafficking cases that we pursued last year with the compliance branch, in 1992, we pursued 763 cases of retailers involved in trafficking and make a sizable commitment to that effort. Could we do more? Certainly we could, but that is what we are currently doing.

Mr. SMITH of Oregon. We have 210,000 stores currently under the plan. How many more stores will be involved when this legislation passes?

Mr. BRALEY. It shouldn't change the number of retailers significantly. We have had a number of situations that we have put on hold. We have not taken retailers off the program who technically don't meet the current requirements as we gave them an opportunity to review their records and, frankly, in anticipation of some legislative action. It will not significantly change the number of retailers we have to deal with—2,000 perhaps.

Mr. SMITH of Oregon. Hard to believe, isn't it? We expand the definition. Stores that were never eligible before.

Ms. HAAS. I think that the issue really is, we have about 56,000 convenience stores today and in the Inspector General's report that was just done, we found that about 50 percent of those were not meeting the definition as currently stated. So it is not—

Mr. SMITH of Oregon. To qualify?

Ms. HAAS. To qualify, right. So really what it is, is not adding so many additional ones, but we are not going to be kicking some off because they are not meeting the definition. So it is really keeping, as Mr. Braley said, the level at the same place. However, if there is an expansion in the area of additional kinds of stores that meet this criteria, there will be growth in the number of stores that participate in the program. There is no question.

Mr. SMITH of Oregon. How often do you walk in a store—210,000 stores. How often do you walk in and look for problems in food stamps?

Ms. HAAS. Well, are you asking how often we check whether stores meet this criteria?

Mr. SMITH of Oregon. I am asking about trafficking.

Ms. HAAS. Trafficking.

Mr. BRALEY. Congressman Smith, we do about 5,000 compliance visits a year actually going into retail stores, not limited to checking for trafficking, but also looking at whether or not stores are willing to sell ineligible items and that sort of thing. That is our compliance effort, about 5,000 a year. The I.G. does additional.

Mr. SMITH of Oregon. Five percent.

Mr. BRALEY. Yes, sir. Actually it would be about 2.5 percent at 5,000. But, again, we base that on characteristics of particular stores that we know are prone to have problems and also based on tips within the community that a store may be violating the program.

Mr. SMITH of Oregon. Mr. Braley, let's say that I have been caught trafficking in my store. What is my penalty.

Mr. BRALEY. If you as the owner or the manager of the store are involved in trafficking, you would be disqualified from further participation in the program.

Mr. SMITH of Oregon. Forever?

Ms. HAAS. Permanently.

Mr. BRALEY. Yes.

Mr. SMITH of Oregon. What about, I am not fined first?

Mr. BRALEY. For lesser violations or violations that involve an employee, not the owner or manager, there are fines. There are

lesser penalties, civil money penalties, \$10,000 per instance, for example. If the owner is involved, it is permanent disqualification.

Mr. SMITH of Oregon. So if my employee is involved, it is a \$10,000 fine.

Mr. BRALEY. As I understand it, for trafficking, it is \$20,000 per violation, up to a maximum of \$40,000.

Mr. SMITH of Oregon. That seems to be a sufficient deterrent, I think. Ms. Haas, what are you doing about the nutrition quality in the Food Stamp Program?

Ms. HAAS. Congressman Smith, as you may know, nutrition is a very important issue to Secretary Espy and to myself, and one of the priorities that I have set out is to integrate nutrition into all our food assistance programs. The Food Stamp Program in particular has not had a nutrition component at all.

I would like to work with the committee and had the pleasure of testifying at an earlier hearing that Chairman Stenholm held where I talked about the need to develop such a nutrition education program. We are in the midst of working on that and we would like to work with the committee in the future in developing new innovative approaches.

As I have traveled the country and have gone into food stamp offices where people wait for hours in empty, barren rooms where there are no posters, there is no information. I find that this is an important opportunity for an intervention to take place. There are all kinds of opportunities that have just not been taken advantage of, and you have our word that we are going to try and do that.

Mr. SMITH of Oregon. And my last question, in light of that, have you seen the National Heart Savers Association?

Ms. HAAS. I couldn't miss it. I think it was in——

Mr. SMITH of Oregon. Do you agree with it?

Ms. HAAS. That was an ad in eight newspapers.

Mr. SMITH of Oregon. Right. That is the one.

Ms. HAAS. As you know, we have embarked in the Department on a series of hearings and solicitation for public comment on nutritional objectives in our school meals. We released last Monday—and actually we had a briefing with a number of the congressional staff here in the House Agriculture Committee—where we released the school nutrition dietary assessment. That was a report that was begun under the Bush administration with Secretary Madigan that took a look at the nutritional quality of schools.

Mr. SMITH of Oregon. That is the tree?

Ms. HAAS. No, it is not the pyramid. This is a study that was a nationally representative study of all of our schools. It looked at 545 schools, 3,000 students, and the Secretary released the results of that study at a press conference last week.

It found that virtually none of our schools are in compliance with the dietary guidelines, and Secretary Espy spoke at that press conference and talked about the problem because the school lunches, as we found in that study, are significantly higher than what the dietary guidelines, our own Federal policy recommend. And I don't know which point you are talking about do I agree with.

I agree with Secretary Espy's strong support for——

Mr. SMITH of Oregon. Deep fry our children's health, do you agree with that?

Ms. HAAS. Pardon me?

Mr. SMITH of Oregon. Deep fry our children's health. That is the top part of this.

Ms. HAAS. In Secretary Espy's comment—

Mr. SMITH of Oregon. That may be an unfair question. Let me ask you another one.

Ms. HAAS. Thank you.

Mr. SMITH of Oregon. As I look at this, the reason I ask you is simply that we are all interested in nutrition, but there are some who believe that nutrition is vegetarian and some who believe that a proper diet can include, with proper portions, a broad array of foods that we produce in this country. And the reason I asked you the question was simply that if you read this carefully, you would have to only eat fruit, skim milk, egg whites, and skinless poultry.

Ms. HAAS. That ad is from the private sector. A gentleman from Nebraska. All I know is the hearings that we held—I will give you an example. Last week in Los Angeles we had 82 witnesses. One was from the National Cattlemen's Association, the woman who is the nutritionist there who testified, as did someone at our Atlanta hearing from the Georgia Cattlemen's Association on the importance of meeting the dietary guidelines.

And we found great support from the agricultural community in the approach that we are taking. We are not talking about living on fruit and egg whites. What we are talking about is meat being the dietary guidelines which recommend 30 percent of calories from fat.

We found in the SINDA study that was begun 3 years ago that our school lunches are providing 38 percent of calories from fat. That is 25 percent more than the recommended health policies of our Nation, 50 percent more in saturated fat and 100 percent more in sodium.

We are not talking in any way about abstaining from any foods. We are talking about refocusing our diet so that it is healthy and meets the dietary guidelines and we use taxpayer money in our school lunch program to provide a healthy meal. We look forward to working with you on that issue and we have been working very hard in these hearings to have input first from the public, from commodity groups, from health organizations, from a wide variety.

We will be holding a hearing on December 7, here in Washington, that the Secretary will chair. I hope the chairman and you and any members of the committee who would like to participate will be there with us.

Mr. SMITH of Oregon. Thank you very much.

Mr. STENHOLM. Ms. Lambert.

Ms. LAMBERT. Thank you, Mr. Chairman. I would like unanimous consent to submit my opening statement for the record.

Mr. STENHOLM. Without objection. All members who were not here when we started will have permission to insert statements into the record at this point.

[The prepared statements of Mrs. Clayton, Ms. McKinney, and Ms. Lambert follow:]

STATEMENT FOR REP. EVA M. CLAYTON
SUBCOMMITTEE ON DEPARTMENT OPERATIONS
AND NUTRITION

November 4, 1993

Thank you Mr. Chairman. I deeply appreciate your interest in the Food Stamp program, and I am excited about the legislation which is the topic of today's hearing. I am proud of this Subcommittee's work on a vast range of issues related to feeding our nation's needy, especially our children. Mr. Chairman, your role as an advocate of the Mickey Leland food stamp provisions is testimony to your commitment to feed our nation's impoverished. I can now proudly say that "Mickey Leland" is a reality.

The legislation at hand is crucial in keeping the food stamp program accessible to those who desperately need it. This is especially true for our nation's rural areas

where small convenient stores are often the only means of utilizing food stamp benefits. The current definition which requires food stores to have over 50 percent of its food sales volume in staple foods puts many small stores out of the parameters of the program. In order to save many food stores from having their food stamp authorization withdrawn by the U.S. Department of Agriculture, it is imperative that we change current law.

By expanding the Food Stamp program by \$2.5 Billion in the recent Budget Reconciliation package, Congress went on record saying that the problem of hunger must be addressed. Those of us who sit on this Committee who voted in favor of the Mickey Leland provisions considered it vital to properly fund the program. I believe that we must now take the next step in assuring that those who receive food stamp benefits can use them!

Mr. Chairman, I also applaud you for Section 4 in

this bill which makes available to the Secretary up to \$4 million to work with "...State or local law enforcement agencies to investigate and prosecute coupon street trafficking by recipients, buyers, and authorized retail food stores." Many of us are very concerned about the fraud and graft which is associated with the program. I believe we must take innovative steps to address this issue, and I am happy this provision is included in this legislation.

I am hopeful that this Committee can expedite this legislation so that we can complete its consideration before the Congress recesses. I look forward to hearing comments regarding this significant issue at hand.

Thank you.

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CYNTHIA MCKINNEY

FOOD STAMP LEGISLATION

I would like to thank you Mr. Chairman for having this hearing concerning adequate access by food stamp recipients to retail food stores. I would just like to make a couple of comments concerning this issue.

I understand that a large number of small retail food stores are now at risk of losing their authorization to accept food stamps for food purchases.

The location and accessibility of food outlets are among the factors affecting the ability of low-income families to purchase an adequate diet. In rural areas this could pose a serious problem for food stamp recipients that don't own cars or have funds for public transportation. Transportation cost can be a significant part of the cost of shopping for the low-income consumers.

According to a report done by the Select Committee on Hunger, in the 1970's and 1980's, major supermarkets migrated away from the inner cities and low-income areas, toward the suburbs. Further, for many low-income families, according to the report, smaller independent grocery stores or "mom and pop" type stores were the predominant options in their neighborhoods. The situation is not much different in the 1990's.

Mr. Chairman, we need to keep these stores open and make sure they stock the proper foods for a proper diet for our low-income and food stamp recipients.

Again Mr. Chairman, I would like to thank you for your continued concern for our Food Stamp Program and its progress.

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STATEMENT OF THE HONORABLE BLANCHE M. LAMBERT
BEFORE THE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS AND NUTRITION
NOVEMBER 3, 1993

COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND POWER
SUBCOMMITTEE ON TRANSPORTATION AND
HAZARDOUS MATERIALS
VICE CHAIRMAN

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS
AND NUTRITION

COMMITTEE ON MERCHANT MARINE
AND FISHERIES
SUBCOMMITTEE ON ENVIRONMENT AND NATURAL
RESOURCES
SUBCOMMITTEE ON COAST GUARD
AND NAVIGATION

Thank you Mr. Chairman for holding this hearing and markup. I appreciate the speed with which you are addressing this issue. I would like to join you in applauding the bi-partisan support of this legislation.

Although small in scope, this bill will accomplish some important objectives: it will ensure that those in remote areas, with limited access to food outlets will continue to benefit from the food stamp program. It will strengthen the hand of the Secretary and of State and Federal law enforcement agencies investigating possible fraud and abuse of the system, and it will continue efforts to attack street food stamp trafficking through demonstration projects.

I appreciate these reforms no matter how minor they may seem because I believe in the value of the program. I also believe - with great enthusiasm - in maintaining the integrity of the program. I would like to take this opportunity to say that I hope this subcommittee will continue to pursue measures that will strengthen this valuable program. As I have said before, confidence in the program - at least in my district - is weak to say the least. I say this because as we in agriculture know only too well, perception can be a fearsome enemy. In that spirit, I

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hope that we will continue to advocate implementation of the Electronic Benefits Transfer System as provided in the 1990 Farm Bill as well as any other measure that will reduce cost and improve efficiency and program soundness. I look forward to working with Assistant Secretary Hass, the Administration, and this subcommittee on this important issue. Thank you Mr. Chairman.

Ms. LAMBERT. Thank you. That would seem redundant after Ms. Haas' comments on restoring integrity to the program, as well as hopefully accelerating some of our examples on the EBT system, which I think is going to be very important. I must add that I think the EBT system will also help us with the nutritional values that we can provide through the Food Stamp Program, and with a special sideline of the nutritional and toxicology studies that are going on currently in my district, which has a tremendous amount of indigent cases. I am interested to know the importance or your expressed importance on nutritional value in the Food Stamp Program.

Just one question, or maybe a couple. In section 4 of the bill where it talks about the demonstration projects to combat the street trafficking in the Food Stamp Program. Ms. Haas, could you give the subcommittee an example of what some of these projects would entail perhaps?

Ms. HAAS. Well, at this time, since we have not had the funds to do these projects, we have not planned any. Though, in asking for the authorization earlier, we did have some recommendations and I think that George Braley can provide you with some of those.

Mr. BRALEY. The way we had envisioned this was to solicit ideas from State and local law enforcement people to become more involved in combatting street trafficking, and so I don't want to prejudice what those ideas might be, but it would really be to get more local involvement in trying to attack this problem.

These are Federal food coupons that are being trafficked but we are a long way from where the problem occurs in a lot of cases and we would like to get more local and State involvement. So the plan was to look at innovative approaches that State and local law enforcement and audit and investigative staffs might come up with and then we would fund those approaches on a competitive basis.

Ms. LAMBERT. So you would definitely be looking to the State and local officials to help you in addressing those problems but you don't have any type of a skeletal plan of how you would like to go about doing that?

Ms. HAAS. No, we have not specifically developed that since we have not had the funds at this time. To answer your question, this is a problem that does have to be dealt with at the State and local level because that is where the trafficking occurs, rather than at the Federal level. We have solicited in the past pilot program proposals and we did get several requests from States. We believe we will be able to move in that direction with the funding authority.

Ms. LAMBERT. Thank you.

Thank you, Mr. Chairman.

Mr. STENHOLM. Mr. Ewing.

Mr. EWING. Thank you, Mr. Chairman. Ms. Haas, I understand that the Department has submitted legislation that would be dealing with the definition of which stores can handle food stamps, and it is very similar to a bill that this committee has. There are a couple things, though, I would like to ask you about it.

Section 1, subparagraph 1, part B, has over 50 percent of its total sales in food as defined in subsection (g). I am wondering if this would allow a food stand down at the Smithsonian to take food stamps. If so, should that be tightened up? Is that our intent?

Ms. HAAS. That was not our intent. I don't see where that should happen. Of course, it depends on the percentage—what the variety of foods that stand has and whether they can meet that staple food criteria.

Mr. EWING. We are wanting to change the staple food definition.

Ms. HAAS. Excuse me. If they have the variety of food and if you can demonstrate that. I do not think, however, that it would meet that standard, and the ready-to-serve, hot food that would also make it a problem because, right now, we have requirements that prohibit that, so that if you had hot food available, it would not be able to be an establishment that would take food stamps.

Mr. EWING. On that point now, I know many grocery stores serve hot food. They may have a lunch counter or a deli.

Does that disqualify them?

Mr. BRALEY. The store is not disqualified but those hot food items can't be purchased with food stamps. The stand you mentioned is treated essentially like a restaurant, and for general purposes, restaurants are not eligible outlets for food stamps.

Mr. EWING. Some of us are discussing in regard to this bill report language which could be offered at the full committee markup, which would deal with being sure that we are not talking about—when we have the four different staples, putting an apple on the counter and saying this is the fruit department. We think it should be a more meaningful supply and offering for people.

Ms. HAAS. We would have no problem with that.

Mr. EWING. Also in the bill that Congressman Stenholm has, there are some additional fraud provisions. These fraud provisions were similar to ones that I offered to the President's economic program, they were all accepted in this committee and sent on and then some came out in the Senate under the Byrd rule, and some of the fraud provisions were included. They are not in your version of the bill.

Would you have any objection to those or the administration—

Ms. HAAS. Earlier, before your arrival, Congressman Ewing, I responded to Congressman Stenholm's question that we had no problem. We, in fact, had asked for that authority earlier. Our hope is that the language would stay in place up to \$4 million because we don't know that we are going to need \$4 million to do this. So we can be very fiscally conservatively supportive of that part of the provision.

Mr. EWING. I believe that what you are referring to is the demonstration projects; I am referring to language dealing with fraud in—

Ms. HAAS. Yes. The other exchange of information. We have no problem with that as well.

Mr. EWING. That is right. Fine, thank you.

One final question. You mentioned that you are moving ahead with EBT.

Ms. HAAS. Right.

Mr. EWING. Have you looked at that as far as the possibility of spending this money now before we really do any welfare reform which might change that program?

Ms. HAAS. Congressman Ewing, I have responsibility both for EBT as well as sitting on the President's welfare reform task force,

and certainly EBT is an important aspect of welfare reform because it is a way of delivering benefits that enhance dignity of the client and recipient as well as saving administrative costs, and really it is a reinventing of our Food Stamp Program, so that I see that the two are compatible.

The States need to reduce costs in the administrative functioning of the program and EBT gives them that opportunity. It also is a way of enhancing program integrity because it reduces fraud. It is one of our best fraud fighters that we have because it does end the kind of street currency and trafficking on the streets that we are talking about today that food stamps can be. An electronic card really takes away that incentive to do it.

Mr. EWING. I am glad to hear that. I would encourage, though, that before large expenditures are made in pursuing the EBT, that we are certain that we are moving ahead with welfare reform. I want to see people who are entitled to food stamps have them. I also want to see the fraud, as much as possible, taken out and see the program work as well as possible. I appreciate your support for my anti-fraud provisions, and I thank you.

Ms. HAAS. Thank you.

Mr. STENHOLM. I assure my colleague, Mr. Ewing, that this committee is going to be very active in the welfare reform effort that will come forward next January and February. We intend to be a significant part of that effort as it moves forward. We will look forward to working with you.

Mrs. Clayton.

Mrs. CLAYTON. Thank you, Mr. Chairman. I think you gave us permission to enter our statements earlier and I appreciate that.

I don't know if I have any questions, but I do want to reemphasize the importance of combining the appropriation for food stamps with the safeguards and integrity of the program. And although, Mr. Chairman, one of the reasons we put it in each bill if the food stamp law prohibits fraud and trafficking as a whole, we want to make sure we are emphasizing that.

Is that the reason we have it here?

Mr. STENHOLM. Well, the antifraud provisions were stripped from the food stamp section of the 1993 Budget Reconciliation Act. The so-called Byrd rule took them out, so this language does not appear in the Mickey Leland bill and that is why we are adding it at this stage and believe that now we can get it included into law.

Mrs. CLAYTON. I strongly support it, because one of the ways to add to the need or the value of the program is to make sure it is not only fiscally sound, but it is also lawful. You don't have it wrought with fraud, and so the structure should be there. It is very important to have that. So my question would be: Do you find that adding this language also will ensure the structure for ensuring the integrity of the program will be there?

Ms. HAAS. I would say that this language contributes to the efforts the Department has ongoing to fight fraud and to reduce trafficking and to reduce anything that tarnishes the image of the program and reduces our ability to provide the benefits that are necessary for people that need it.

I am not so sure it contributes all of the structure that is needed and I think that we have to keep looking at that in a larger con-

text, but this is an important element that can help us, and that is why, as I said earlier, we are supportive of adding this to the legislation.

Mrs. CLAYTON. What is the penalty for trafficking? Is that a violation?

Mr. EWING. We changed that.

Mr. STENHOLM. I am sorry. I didn't hear.

Mrs. CLAYTON. Is there any penalty?

Ms. HAAS. Yes, there is a penalty. Mr. Braley talked about that earlier.

Mrs. CLAYTON. I am sorry I missed that.

Mr. BRALEY. Congresswoman Clayton, for trafficking, if an owner or manager of a store is involved, the store will be permanently disqualified from the program. If the trafficking involves an employee of the store, instead of permanent disqualification, there may be a fine of \$20,000 per offense up to a maximum of \$40,000, and so it is a significant penalty for that kind of activity, and that is one of the things that helps us to deter fraud in the program.

Mrs. CLAYTON. So this is an administrative structure. Is that also written to the criminal code? Is there a similar comparable—that is a fine that is imposed, right?

Ms. HAAS. Yes.

Mr. BRALEY. That is correct. If a finding is made and a disqualification action is proposed, that firm has a right to an administrative appeal of the finding and ultimately can seek relief in the court system, but the initial appeal is to the Food and Nutrition Service, and we have hearing officers that hear those appeals.

Mrs. CLAYTON. Thank you, I appreciate hearing that. The other point, I just want to emphasize the importance of having the provisions to have food stamps in stores now with this new definition. I represent a very rural part of my State and there are many opportunities for having access to good food where they do not have a current definition now. So I welcome this modification. It increases the access for people who happen to live sparsely.

Ms. HAAS. I couldn't agree with you more. It is an increasing problem, both in rural poor counties and in many of our inner city communities where supermarkets have left those areas. Access to food is very important, and that is why we are here in support of it.

Mrs. CLAYTON. Thank you, Mr. Chairman.

Mr. STENHOLM. Mr. Allard.

Mr. ALLARD. Thank you, Mr. Chairman. I am—determine in my own mind, has there been any—obviously there have been some figures put out as to how this is going to impact the cost of the program. Did we talk about any of those?

I am sorry I am late in getting here. How is this going to impact the cost of the Food Stamp Program?

Ms. HAAS. I think it should be cost neutral. I can't see any reason why it would increase any of our costs. What it is doing, as Congresswoman Clayton said, is increasing access, but it is not going to cost us anything more.

Mr. ALLARD. I understand, but a lot of times, as you increase access, you increase the number of people that would use food stamps because it is more accessible, but we put a limit on the other side

as to what foods are considered nutritious and consequently—have we put some limits on that side at all? Have we changed the definition of nutritious?

Ms. HAAS. No, this legislation does not change the definition of nutritious, but it provides access to a variety of foods.

Mr. ALLARD. Including ice cream and candy bars.

Ms. HAAS. I talked earlier, however, about what is a priority for the Department and that is to make nutrition and nutrition education an integral part of the Food Stamp Program so that we provide the tool and the information to the food stamp recipients to shop healthfully, and to help them meet the dietary guidelines, because on one hand, I can't agree with you more that if we are providing food stamps and people do not have the information to shop in a healthful manner for their family, we are being very short-sighted because the consequences of that are health consequences that result in heart disease and cancer.

We find that the low-income population have a higher risk of heart disease and cancer, so we want to make sure that nutrition education is a very major part of the Food Stamp Program, rather than dictating, or mandating, what is nutritious and not nutritious in a store.

Mr. ALLARD. The other area that I would like to bring up for discussion is individuals who qualify for food stamps that also get school lunches. Isn't that somewhat of a duplication?

Ms. HAAS. I do not see it as a duplication. If you qualify for our school lunch program, it means that you are a child of a family that is poor and your parents could not afford to provide you with a lunch and so the National School Lunch Act provides the funds and provides you with that lunch.

Mr. ALLARD. Are the same qualifications used on the Food Stamp Program?

Ms. HAAS. But free lunch and food stamps are separate programs.

Mr. ALLARD. I understand they are separate programs, but you have the same individual that would qualify for both programs.

Ms. HAAS. True.

Mr. ALLARD. And in that regard, has anybody looked at saying, well, if you go to school and you get your food provided for you at school, do you need to spend the money on food stamps when they get three square meals at school or maybe two or maybe one good lunch program. You either spend the money on food stamps if they qualified for that—

Ms. HAAS. We have not looked specifically at that, but we have looked at some things that come close, and Mr. Braley can explain those to you.

Mr. BRALEY. Issues of that type have been looked at in the past. I think the school lunch program, the WIC program, and a number of other food assistance programs have grown up in light of the fact that certain populations like schoolchildren when they are away from home, pregnant women, low-income pregnant women who need extra nutrition during pregnancy and immediately following and programs for their infants, these programs have grown up in the context that food stamps provide the base and then there is a need to supplement the diets of some people beyond that.

I don't think that the food stamp benefit is an overly generous one for a family and there is a need for additional assistance as provided through school lunches and WIC and other nutrition intervention programs that have been authorized and are now on the books.

Mr. ALLARD. I have served on the local health department. The WIC program was a part of that. Now, that is targeted toward infants basically.

Ms. HAAS. Pregnant women, too.

Mr. ALLARD. Pregnant women, right. Now, is there a duplication there, too, with food stamps? Do those same families also qualify for food stamps that would qualify for the WIC program?

Ms. HAAS. Not necessarily, although we would expect that many would qualify for food stamps, also. For example, to qualify for WIC, pregnant women have to be at nutritional risk. Again, these are supplemental programs.

Mr. ALLARD. I understand they have nutritional risk and I think it is a great program, OK? You don't have to worry about selling me on the program. But I am just asking, do those same individuals that qualified for WIC also qualify for the Food Stamp Program.

Ms. HAAS. They can.

Mr. ALLARD. Thank you.

Mr. STENHOLM. Mr. Sarpalius.

Mr. SARPALIUS. Let me ask you some questions again about cost. You said it will not have any impact on cost, but isn't it true in convenience stores, the cost of food there is much more expensive than your regular grocery stores?

Ms. HAAS. We were talking earlier about the cost of the program. The problem, particularly in these smaller stores, is that it is harder to extend your food stamp benefits to meet those costs that often are higher than in a large competitively priced food store in a city.

I mean, that is a different problem. That is the cost to the recipient, and I think it is a very real problem of access. We have seen that rural poor people, for example, don't have access to competitively priced food can spend up to one-third more for a market basket. There are studies that have been done earlier that have shown that. That is another very real problem.

Here we are not trying to deal with that problem of the difference in price. We are trying to make sure we have access to food and not to limit it and so that is why we are changing the definition.

Mr. SARPALIUS. I understand that, but a lot of my constituents are concerned about the Food Stamp Program. Unfortunately, they don't see where we get as much value from it. They hear stories about people taking food stamps and buying steaks to feed their dogs and those kind of horror stories that you hear. And the merits behind it are very worthy, but if it is taxpayers that are providing stamps for people to go buy food, why not encourage them to go to places to buy where they can get the best buy for their dollar? But if you open access, if you make it more convenient for them to go down to the corner 7-Eleven store or whatever store and buy their food at a higher price, ultimately it is costing the taxpayers more money and they will go there strictly from a convenience stand-

point instead of going to Safeway or someplace where they can buy cheaper.

Ms. HAAS. Two things. One is education, nutrition education. Consumer education should be a vital integral part of the Food Stamp Program so that we provide the information and the tools to the recipients to shop wisely and to shop for health.

Mr. SARPALIUS. What kind of tools do you give them? What kind of information?

Ms. HAAS. Up until now, Congressman, I must say I was appalled that there has been virtually no nutrition education and consumer education. I testified at a hearing that the chairman had several months ago.

Mr. SARPALIUS. But what do you envision? How do you envision educating them?

Ms. HAAS. Through a variety of means. First of all, through materials, through videos, through intervening perhaps in the food stamp office where people wait for hours and there is no material: There is nothing there. I see in the WIC program where we do have nutrition education as a mandated program component that the buying behavior, the eating behavior, has really enhanced health. They have a variety of things from videos that go on in the WIC clinic to counseling, to training, to workshops. We are now developing that kind of program, simple posters, that could be in waiting rooms providing the information.

We want to build a program that will do that. I wonder how many food stamp recipients actually do, in fact, buy expensive foods. We want to make sure that what we are doing is providing information on what healthy food is.

Mr. SARPALIUS. Let me share with you a program that is in my district. I have a large agricultural district and there is a program where farmers bring their agricultural commodities in to Lubbock, corn, tomatoes, whatever. They make meals that are available to poor people that are vacuum-packed or freeze-dried. They make meals very similar to what we provided for our troops in Desert Storm, very nutritional meals and they are available to people who are poor.

Why can't we move in a direction of developing a nutritional program like that where in this case the winners are the farmers that produce those commodities, the people they employ to cook these meals and package them, and the ultimate winners are the poor people because they receive a balanced meal at a much cheaper price than giving them stamps going to a convenience store where the prices are jacked up and the taxpayers ultimately pay for it.

Ms. HAAS. We believe one of our most positive programs—that is a very small program but which has a lot of the same objectives that you talked about—is the WIC coupon farmers market program. We would like to expand that program. It is only in 11 States today. Also, food stamps can be redeemed at farmers markets.

We would like to do more to expand farmers markets and to link farmers markets and the produce of local farmers with food stamp recipients. If we go back to the earlier question Congressman Smith had about the school lunch program, there is an opportunity, too, in looking at our school lunch program of taking the regional

agricultural bounty and making that available for school lunches in a way that has never been done before either. So we are looking at ideas like that.

We want to expand. However, Congress, in the WIC farmers market program, only gave us \$3 million until this year when it was increased to \$5 million. So adequate support has not been there to serve that need. We came and we will come back to you with ideas that will build on that.

Mr. SARPALIUS. I would love to have an opportunity to show you the program that we have in Lubbock, because I think it would be extremely impressed on the cost of them operating that facility. I think it is a model and they do a superb job and they have the ability of providing food to many more people. And I would rather see us move in that direction than opening up opportunities of buying more with food stamps in convenience stores which is a higher price for that food that the taxpayers are ultimately paying for instead of encouraging them to go buy food at the cheapest place that they can.

Thank you.

Ms. HAAS. Thank you.

Mr. STENHOLM. Mr. Glickman.

Mr. GLICKMAN. First of all, I want to welcome Ellen Haas. I have not seen her since she has been in this committee and she is an outstanding nutrition advocate, the best appointment the President has made, I think, so far.

Ms. HAAS. Goodness, thank you.

Mr. GLICKMAN. No, she is not from my district.

Ms. HAAS. No, I am not.

Mr. GLICKMAN. Second of all, I think we ought to make it clear that from a cost standpoint, I mean, the person gets a certain amount of food stamps and it doesn't cost them any more. It may mean that he or she gets less food, but the cost to the taxpayers is not going to be any different. I assume that this program doesn't score?

Ms. HAAS. Cost neutral, right.

Mr. GLICKMAN. And the third thing that is important, I think all Americans should have the same kind of access to food, whether you have the money or don't have the money, and so from that standpoint, I think this bill makes some sense that everybody will be able to—be able to go into the same stores and buy food that you want to buy, provided you buy the food in the categories that are listed in here.

I do think Mr. Sarpalius does ask, however, an important question, and that is, are convenience stores priced significantly higher on food staples than regular stores? And if so, will people be getting less bang for their buck out of the dollar? I notice that we have some testimony that Gary Pfannenstiel will present later with Kwik Shop, which was actually a Kansas company.

He argues that when it comes to the staples, that convenience stores are priced competitive and he gives some statistics that show that milk, bread, eggs, soups, the basics, there is not a lot of difference, or in some cases, these shops are lower priced.

My own anecdotal evidence is somewhat similar to Mr. Sarpalius, not necessarily at this store but certainly here in the

Washington, DC area where I find that the 7-Eleven's and other convenience stores are generally much higher priced. And what they will do is, they will use the gasoline as a way to—in many places as a way to bring you in as their lost leader and their food prices are generally higher priced, and you end up paying another 20 or 30 percent over what you pay somewhere else.

Have you done any studies to show the effect of price? Because you do not want to get into a situation, where even though you have more access, the person can only buy five loaves of bread a month instead of six loaves of bread a month because he ends up paying much more on a per unit basis either. I don't know.

Ms. HAAS. The Department has not done studies on price differences in convenience stores. It is a real problem. I do know of other organizations that have done studies, and those studies did find, as I said earlier, that oftentimes those who shopped in rural poor counties, in particular, paid about one-third more for the staple market basket.

So there is an issue there but it is really a dilemma, Congressman Glickman, because on one hand, there would be no access to food in those communities. Here in Washington, DC, we have a great variety of supermarkets so that, if you do go into a 7-Eleven it is going to be very expensive, but you still can go into supermarkets. You take some rural, poor counties, they don't have any choices for miles.

Mr. GLICKMAN. I understand that. In fact, it is even in the rural areas of my district where you can go 30 miles without hitting a supermarket, but you can find convenience stores along the highway that may be better for you. What I, however, don't want to get into is a situation where urban poor areas—where there are not as many supermarkets per person. We know that. It exists.

In Washington, DC, in northeast Washington, there are far fewer supermarkets per capita than there are in northwest Washington. But anyway, for whatever reasons, they are not there, and so I grant you that I think that the people who live in the areas ought to have the right to get to a place which does sell food, which may be the corner grocery market.

But in many cases, I don't want to see convenience used as a way that deprives these people of 25 percent of the food that they would otherwise get if they would go to the grocery store. Again, I am not saying that all convenience stores charge more. I don't know if they do. The testimony of the next witness one says they don't. But I think this is a factor that you need to keep an eye on. You need to monitor this factor to make sure that we don't get into a situation where we get the reverse of what we want, where we end up depriving people of food because of price differential, that is all.

Ms. HAAS. I think that is a very important point. Earlier this year, the Secretary held a hunger forum where we brought together a group of people to identify the major issues, and access was one of them. Secretary Cisneros joined us at that because the problem of the exodus of supermarkets from the inner city or the lack of food stores in rural counties is a very real one.

I see an opportunity with empowerment policy, empowerment zones and the way we do urban renewal and deal with rural development as a way to bring back access to competitively-priced foods.

This is an issue that we are looking at and we want to build on in the future.

Mr. GLICKMAN. Thank you very much.

Thank you, Mr. Chairman.

Mr. STENHOLM. Thank you. If there are no other questions, Ms. Haas, we thank you very much for your testimony today. We look forward to working with you in the days ahead.

Ms. HAAS. Thank you very much.

Mr. STENHOLM. I will call the next panel: Mr. Stephens, Mr. Pfannenstiel, and Ms. Vollinger.

Mr. Stephens, I understand you have a tight plane connection, so if you would set the example by putting your entire statement into the record as it has been brilliantly written, and summarize, you can get the heck out of here since I have the privilege of representing 57 percent of your hometown, you can do it any way you want to do it.

STATEMENT OF F.L. "STEVE" STEPHENS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, TOWN & COUNTRY FOOD STORES, INC., ALSO ON BEHALF OF THE NATIONAL ASSOCIATION OF CONVENIENCE STORES

Mr. STEPHENS. Thank you. I appreciate that very much. I am quite willing to go through the statement. Being able to appear before this panel and discuss this important issue is far more important to me than a plane schedule. However, I am quite willing to submit the remarks as stated for the record.

I might mention a couple of things that have come forth just in the previous discussion that I would like to respond to. One has to do with the accessibility, especially in these smaller communities that so many of my stores and many of the convenience stores across the Nation are located. We are dealing here with an access issue.

I can tell you, Mr. Chairman, that in a particular community where there is only one supermarket and it closes early in the evening and is closed on Sunday, we had already posted notice at that particular store that we were about to lose the opportunity to redeem food stamps back when this all started.

Our company was one of the first to be notified that we would no longer be eligible, that is about 115 of 134 of our convenience stores would no longer be eligible to take food stamps, and when we posted that notice prior to the appeal and we were graciously given the opportunity by the Department to continue to accept food stamps while this legislation was being considered, we got a heavy response from many of our customers in somewhat of a panic as to where were they going to be able to buy milk and bread.

I might further add, relative to the price issue, and I see Congressman Sarpalius has left, relative to the, "jacked up prices," that he used in convenience stores, in that particular town, our prices on bread and milk are cheaper than the so-called supermarket. So while as a taxpayer and a very conservative one at that, as you well know in our many conversations, we want that food stamp dollar to be spent as expeditiously as possible.

But we are dealing here in this legislation with an access issue, and many food stamp recipients by definition do not have the op-

portunity to shop all over a broad market area in order to find that cheaper price. And even if the cheaper price may be at a supermarket, and that is certainly not the case at all, as my colleague from Kwik Shop will point out in his testimony.

I might further add that in San Angelo, at the present time, there is something of a grocery price war going on among the supermarkets, and each week one tries to outdo the other talking about how much cheaper their prices are than the other supermarket. So I am not sure how we actually legislate and regulate a situation that would require the food stamp recipient to seek out the cheapest price on a particular product. Often they are going to have difficulty from the standpoint of the transportation problem to get from one place to the other to find the very bottom price.

I would add one comment in addition to my written statement, if I may, Mr. Chairman. It has to do with section 4 that has already been discussed. I certainly support the intent of this section completely. It does, though, seem a bit vague and we are concerned with a word like "innovative" actually being in a statute. That seems, while it is necessary to be innovative and we are not suggesting that the Department not be innovative, we are concerned with wording of that nature being actually in a statute. Perhaps some report language could better define what this section is trying to achieve and the committee could take a look at whether working with local law enforcement is the best approach.

Mr. Chairman, with that and the written comments submitted for record, I would be happy to respond to any questions you may have.

[The prepared statement of Mr. Stephens appears at the conclusion of the hearing.]

Mr. STENHOLM. If you want to try to make your 12:30 p.m. plane, I will accommodate you, let the members question you right now and we will let you leave, Steve. Or if you want to wait until the other witnesses testify, it is your call.

Mr. STEPHENS. If I may respond to questions now.

Mr. STENHOLM. Does anyone have questions of Mr. Stephens? And then we will excuse him from the panel.

Mrs. Clayton.

Mrs. CLAYTON. Mr. Stephens, I was just wondering if you felt that your stores now carry the variety that is being proposed or—

Mr. STEPHENS. Yes, they do. We have worked with the Department to come up with the definition that is proposed in this legislation and we are very supportive of it. I might add that there are stores presently—relative to the question someone asked earlier about would this put more stores in the Food Stamp Program, it is a possibility it might reduce the number of stores across the Nation that can take food stamps because some that are now eligible would not meet the new criteria.

Mrs. CLAYTON. I am from a very small community, but do you represent stores that would be considered in chain stores, too, like the Atlantic and Pacific or the—

Mr. STEPHENS. No, we do not. FMI and NGA represents those. NACS represents the convenience store industry.

Mrs. CLAYTON. I just want to say in response a little bit to the conversation of our last panel, is that even in rural areas with chain stores, the price is a factor or volume in market.

Mr. STEPHENS. Absolutely.

Mrs. CLAYTON. And even the price in suburbia of a metropolitan area, it is how the market will be driven. I can go shop around in Arlington or in another area and find that the price of steak is different.

Mr. STEPHENS. Precisely.

Mrs. CLAYTON. So all of us, I grew up knowing my mother would go to five or six stores to find a sale on something.

Oftentimes people don't have access to it. So I didn't want to put down independent stores as being the only ones that have high prices, and we do need to find a way of controlling the costs. I would hope that your association would be mindful that we want more of the money to be spent in foods.

Mr. STEPHENS. Very much so. And I might add that as our industry has matured, there are fewer stores in our industry now rather than more. That has been a trend that has developed over the last few years and we see it continuing to develop, and it has to do with the volume issue. It just requires a larger volume of business to stay in business now and that in turn requires a more competitive pricing structure.

So the margin of profit in convenience stores has been dropping, has steadily been declining over the last several years and we see that as a continuing trend, and it has to do with this issue of being as competitively priced with the other shopping opportunities, supermarkets, discount stores, et cetera, as we possibly can be.

Mrs. CLAYTON. Thank you, Mr. Chairman.

Mr. STENHOLM. Mr. Glickman.

Mr. GLICKMAN. I basically want to echo what Mrs. Clayton said, and I referred a little bit to Mr. Pfannenstiel's testimony. The fact of the matter is that price is a large factor relating to volume and so I understand that in many cases, you cannot offer the same food too at the same prices, but he does talk about the fact that a lot of the staples that, in fact, his company is competitive.

Mr. STEPHENS. Correct.

Mr. GLICKMAN. Is that true with you as well.

Mr. STEPHENS. Yes, it is.

Mr. GLICKMAN. On things like bread, milk, sugar, some of the basic items.

Mr. STEPHENS. Absolutely. As a matter of fact, we perform price surveys as a regular part of our business, and I got a report just last week where we are actually under supermarkets in a number of the areas where we operate on some of those staple items.

Mr. GLICKMAN. The other thing is, I just think we ought to clear for the record. Studies clearly show that food stamp recipients are as or more prudent with their food stamp dollars than nonfood stamp people are in spending their dollars.

I mean, the fact is, I am not on food stamps and I buy a lot of junk, tremendous amount of junk. I am not going to tell you what it is because it is my business, OK? But let's just put it like this. The size of my belly is somewhat related to what I buy at these stores, and the fact is that people who are on a much more limited

sources of income buy much more carefully in terms of those staples of food because they don't have the luxury.

Yes, there are a few people that buy more exotic food, but so did the rest of us who can afford to use their dollars and we long ago—except limiting some things you couldn't buy, said as a general proposition, somebody on food stamps should have generally the same flexibility as anybody else, otherwise it would be almost impossible for the marketers of food to say, no, we are going to have a food stamp line for you and a line for the rest of the people. I just want the record to go forth that most people on food stamps do not abuse the privilege.

Mr. STEPHENS. I appreciate that comment and that checks with our experience as well. I agree with that and I might add that I appreciate your business in that overindulgence category as well.

Mr. STENHOLM. I think the record needs to state, I eat the same thing basically that Mr. Glickman does. But I do not consider it junk. It is good stuff. Just a different Kansas definition and Texas definition. Same food.

Mr. GLICKMAN. I stand corrected. Whatever the chairman wants.

Mr. STENHOLM. Any other questions of Mr. Stephens before we excuse him? If there is not, Steve, we thank you very much for your testimony. More particularly, we thank you for the work on this issue that you and other members of the National Association of Convenience Stores have engaged in—the help you have given to this committee as we have attempted to resolve this very difficult situation. We appreciate your work, your attendance, and you may be excused.

Mr. STEPHENS. Thank you, Mr. Chairman. Appreciate the opportunity, and if we can provide any further input, we stand ready to do so, I look forward to seeing you back in the district.

Mr. STENHOLM. Thank you. Next we will call on Mr. Gary Pfannenstiel.

STATEMENT OF GARY PFANNENSTIEL, VICE PRESIDENT AND DIRECTOR, MARKETING, KWIK SHOP, INC.

Mr. PFANNENSTIEL. Mr. Chairman, in the consideration of time, if you would like to enter my written statement into the record; we could go right to the questions, I would be more than happy to do that. If you would like, I will stand and read it.

Mr. STENHOLM. If you would, I am going to have to step back for another meeting for right now and Mrs. Clayton will assume the chair. If you would summarize your statement and then take questions from those that are interested, we would be very much appreciative.

Mrs. CLAYTON [assuming chair]. Would you please proceed, Mr. Pfannenstiel.

Mr. PFANNENSTIEL. Thank you.

Like Mr. Stephens testified, our company, which represents 192 convenience stores in five States, is very concerned about the pricing image that the industry has. And over the last 10 years, we have made an overt effort to try to keep our staple food prices very competitive.

When we found that we were going to be involved in this panel this morning, we proceeded to put together the survey that I had

sent in earlier, and it is attached to my testimony. I think that it addresses the pricing issue pretty thoroughly. And like Congressman Glickman said, we primarily concentrated on the staple food items.

In the area of cigarettes and some of the other things, our industry probably is a little higher than supermarkets, like by the pack and things like that. So if there are any other questions, that pretty well summarizes our point.

[The prepared statement of Mr. Pfannenstiel appears at the conclusion of the hearing.]

Mrs. CLAYTON. I think we will just go to the next panelist and then ask questions of both if that is OK. That would facilitate you.

You can also Ms. Vollinger, if you would, summarize your testimony.

**STATEMENT OF ELLEN M. VOLLINGER, LEGAL DIRECTOR,
FOOD RESEARCH AND ACTION CENTER**

Ms. VOLLINGER. Thank you, Congresswoman. I would very much like to just enter my statement in the record. I am Ellen Vollinger, legal director of the Food Research and Action Center, an organization that works to alleviate hunger and poverty, and works particularly on the Federal food assistance programs.

I won't reiterate what has been said about the legislation before you, but we would like to underscore from our perspective in hearing from groups around the country and recipients that we think access is a very big issue and that we would be very concerned to see large numbers of the small retail food stores withdrawing from the Food Stamp Program.

Just to give you some examples, I know that Congressman Emerson and others who served with the Select Committee on Hunger may recall a report that was done for that committee in 1987 under then the late chairman, Mickey Leland, and at the request of Congressman Espy, that identified problems with a lack of supermarkets in many inner city neighborhoods, with problems with transportation that people, particularly in inner cities and rural areas experience.

More recently, the Community Food Resource Center in New York has documented continuing transportation problems and the fact that, for many of their inner city residents in New York, smaller food stores are really the only option, other than having to spend a lot of their food dollars on transportation.

Similarly, in Los Angeles earlier this year, UCLA researchers surveyed a small portion of the south central L.A. community and found that 38 percent of the persons surveyed do not have cars and that 3 out of 10 reported problems in buying large bags of groceries and being able to get them home. Transportation is just a real problem there.

Similarly, in Hartford, Connecticut, we have heard from the Hartford food system that in some low income areas of Hartford, approximately 60 percent of the residents do not own cars, and, again, if many of the local smaller food stores were withdrawing from the Food Stamp Program, we think that would create access problems there.

So we very much look forward to the committee moving forward with this legislation. We are glad to see the bipartisan support. We know that that is a recognition that the Food Stamp Program is really the first line of defense against hunger and a program right now that is serving 1 in 10 Americans. So I would be glad to take any questions that the panel has.

[The prepared statement of Ms. Vollinger appears at the conclusion of the hearing.]

Mrs. CLAYTON. Thank you. Mr. English, do you have questions.

Mr. ENGLISH. Madam Chair, I have no questions.

Mrs. CLAYTON. Mr. Emerson.

Mr. EMERSON. No questions.

Mrs. CLAYTON. Thank you very much for your testimony.

Just for the record, we are now going to reconvene into a business session to take up the bill for markup, and our chairman will be back momentarily for that purpose.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, to reconvene, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

TESTIMONY OF ELLEN HAAS
ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS AND NUTRITION
NOVEMBER 4, 1993

I want to thank the Chairman for inviting me here today to express the Department's support for food stamp legislation.

My mission as Assistant Secretary for Food and Consumer Services is providing access to a nutritious diet to needy Americans through USDA's fourteen food assistance programs.

Today's hearing is important because it is an opportunity to draw attention to the issue of access. Secretary Espy and I are both committed to reducing barriers that limit access to food for program participants, particularly those barriers that can exist in rural or inner city communities.

Under Secretary Espy's plan to emphasize nutrition as a central mission of USDA, we are currently developing approaches to integrate nutrition education into our programs, particularly the Food Stamp Program. Through nutrition education, Food Stamp recipients will have the knowledge and tools to make nutritionally-aware food purchases.

By placing an emphasis on access and nutrition, we are reinventing the Food Stamp Program, as one that promotes health and builds program integrity.

The bills we are discussing today would make changes in the Food Stamp Act that will add greatly to the Department's ability to continue to achieve the purposes of the program in the area of authorizing stores to accept food stamps from participating households. Such purposes include providing food stamp recipients with maximum access to the stores that provide food and ensuring that a wide variety of foods are available for purchase with food stamps.

The specific changes would amend the Food Stamp Act to revise the definition of "retail food store" and add a new definition for "staple foods".

The current definition of "retail food store" requires that over 50 percent of a firm's food sales be comprised of staple foods. This definition has neither kept pace with changing retailer practices over the years nor consumer shopping practices. It is too rigid to encompass the authorization or continued participation in the program by retail establishments that are now commonly recognized as food stores and, yet, too flexible to completely prohibit participation of firms that clearly are not

food stores! Prompt enactment of the bill will clarify this issue.

The Department has long been aware that the current definition of "retail food store" encompassed many varieties of so-called "marginal stores" -- stores such as gas stations, bars, or party stores that primarily sell nonfood items but also sell the required proportion of staple foods in relation to limited food sales. The participation of such stores has harmed the program's image.

However, the problem with the rigidity of the definition became readily apparent in 1992 when the Department undertook a periodic reauthorization of retail firms, as authorized by the 1990 Farm Bill. About 56,000 convenience stores are authorized to accept food stamps and provide a necessary service to many food stamp households. However, a large number of these stores indicated on their reauthorization applications that they no longer could meet the required staple foods to food sales ratio.

The Act's definition permits no leeway -- the Department must continue removing these stores' authorizations to accept food stamps unless a legislative remedy--as proposed by you, Mr. Chairman--can be provided. We believe that this bill is the best vehicle for resolving this issue.

The bill would also require a retail food outlet to meet one of two criteria in order to be authorized to accept and redeem food stamps. The first criterion states that an outlet may qualify as a "retail food store" if it offers for sale on a continuous basis a variety of food classified in each of four staple food categories. They are (1) meat, poultry, or fish; (2) bread or cereals; (3) vegetables or fruits; and (4) dairy products. In addition, the criterion would require that a retail food store seeking to be authorized to accept food stamps sell perishable foods in at least two of these four categories of staple foods. This requirement would ensure that an authorized retail food store will experience turnover of at least some of its staple food items.

The alternative method of qualifying as a retail food store requires that an outlet must have over 50 percent of its total sales in staple foods. Thus, stores which sell only meat, poultry, fish, or produce would continue to qualify.

Under the proposed definition, firms which should qualify for authorization would include supermarkets; full-line grocery stores; convenience stores; stores which sell meat, poultry, fish, or produce; stands which sell agricultural commodities; farmers' markets; day-old bread stores; bakeries which sell bread; house-to-house trade routes; and nonprofit cooperative food-purchasing ventures which are licensed to sell food in the

State and locality in which they are operating.

The new definition of "staple foods" in the bills will enable the Department to assure that retail food outlets that are authorized to participate in the program under the first criterion offer for sale a variety of food on a continuous basis.

Neither of the changes included in the bill will have an impact on the Department's continued prohibition against the participation of certain types of stores which do not effectuate the purposes of the Food Stamp Program. Examples of these stores are those which sell only "accessory" foods such as spices, candy, soft drinks, tea, or coffee; ice cream vendors purveying solely ice cream; and specialty donut stores not selling other bakery or bread products. This prohibition has been in effect since 1977.

At the same time, the bills should not result in a large number of stores losing their authorization to accept food stamps. For instance, "marginal stores," such as party and liquor stores and gas stations which carry primarily snack items, may not meet either of the new criteria. This would not negatively impact recipient access since these firms neither carry a variety nor sell a significant volume of staple foods. As I mentioned earlier, limiting the participation of these types of firms would improve the program's image.

Enactment of legislation will enable the Department to appropriately oversee the authorization process while assuring continued access for food stamp households to a variety of firms. I look forward to working with the Committee as this bill moves toward enactment.

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions.

STATEMENT OF F. L. "STEVE" STEPHENS

Good morning Mr. Chairman and members of the subcommittee. My name is Steve Stephens and I am Chairman and CEO of Town and Country Food Stores in San Angelo, Texas. I am here today to speak in support of a bill to update the criteria by which retail food stores are determined eligible for participation in the food stamp program.

INTRODUCTION OF TOWN AND COUNTRY FOOD STORES

My company, which a retired partner and I formed in 1965, is an employee owned business. We began with seven stores back then and through the years we have grown the company to 141 stores, mostly in southwest Texas; but also in New Mexico as well. In addition to convenience stores, which make up the bulk of the company, we operate seven supermarkets. As you know, Mr. Chairman, the area of the country we serve is largely rural. Indeed, the relative scarcity of retail outlets is one element of our success. In many instances, a Town & Country store may be just one of several stores available to consumers for many miles, and in fact, may be the only store opened on an extended-hours basis. The loss of the store and others like it would certainly impact food stamp recipients.

INTRODUCTION OF NACS

In addition to appearing on my own behalf, I am also here on behalf of the National Association of Convenience Stores (NACS). As a recent Chairman of the Board of NACS, I am quite familiar with our industry's issues; and I can tell you that, on behalf of the 1,500 companies of NACS who collectively operate over 64,000 convenience stores, we are quite concerned that, if the eligibility rules governing participation in the food stamp program are not updated, most, if not all, of our membership currently providing services to food stamp recipients will be forced out of the food stamp program. Let me use my own experience to explain why this is true.

THE CURRENT 50 PERCENT SALES TEST

Last year, as part of the Food and Nutrition Service's reauthorization program for food stamp outlets, my company's stores received notice that it was time to reapply for status in the program. We had not been asked to update our records with FNS for many years. As our controller went about assessing each of our stores for their ability to meet the current sales test requirement, he began to find

that we simply were not meeting the so-called 50 percent test which requires that fifty percent of a store's eligible food sales be staple foods. In fact, of our 134 convenience stores, 115 did not meet the 50 percent test and are slated for withdrawal.

Mr. Chairman, I have a simple chart here that explains the current FNS requirement for participation in the food stamp program. You can see that the equation requires that staple food sales, when divided by food stamp eligible food sales, must equal fifty percent. As an example, staple food sales include items like bread, milk, cereal and so on. The denominator, on the other hand, includes other food stamp eligible items that are not staples like carbonated drinks, candy, and so on. Also, it's important to know that this equation must be performed on all sales, not just the sales we make to food stamp customers.

Therefore, our eligibility is actually being determined by the shopping habits and preferences of non-food stamp customers since they make up the bulk of our shoppers. Let me also point out that coming up with these sales numbers is not as easy as you may think. To do this accurately, you must adjust your sales tracking data to correspond with items eligible for purchase with food stamps. This is very time consuming for stores without scanning and took my controller a week and a half to provide FNS with the information they required.

At any rate, we were finding that, since our last submission to the FNS many, many years ago, we had so successfully grown our carbonated beverage and other "denominator" business, that we were coming up short on the 50 percent test even though the number and variety of staple foods we sell had also grown.

We immediately realized that this was because of the distortions that a sales-based test produces. We further learned, in our discussions with FNS and others, that what the sales test was really trying to assure was that food stamp outlets carry a variety of staple and other foods desired by food stamp recipients.

As we thought about this, it seemed crazy that a store that looked and operated essentially the same as when it first qualified as a food stamp outlet was no longer able to make the cut. Let me add that if this Subcommittee had an opportunity to visit a Town & Country store, you would agree that it is the type of store you want

in the food stamp program. And Town & Country is fairly typical of other stores within the convenience store industry.

That's when we began to work on a new definition for eligibility that replaces the sales test with a test that assesses a store's food offer for its breadth and variety of foods. To come up with this new definition, we had extensive meetings with officials from FNS and the staff on this committee.

THE PROPOSED CHANGE IN ELIGIBILITY CRITERIA

Under the change being considered today, most stores that sold a variety of items, like supermarkets, grocery and convenience stores, would seek to qualify under subtitle A of this legislation.

Essentially, under Subtitle A, a store would have to do two things. First, it would have to carry a "variety" of foods in each of four basic food groups. These groups, shown on this next chart are: (1) meat, poultry, or fish; (2) bread or cereals; (3) vegetables or fruits; and (4) dairy products. In addition, a store would have to offer perishable foods in at least two of these four categories.

Perishability indicates a high degree of turnover that further ensures that the store seeking authorization is the type of store you want in the program. To my way of thinking, this is a much more direct way of assuring that food stamp customers have access to a broad variety of foods.

I think this point is even clearer when you consider that, under the current 50 percent sales test, a liquor store -- and understand that I have nothing against my friends in the liquor business -- can currently qualify as an authorized food stamp outlet if it simply carries a cooler of milk and nothing else. Indeed, I understand that there are many outlets currently in the food stamp program that fit this profile. This is a clear example of the distortions that a sales test, like the current one, can produce.

The second part of the proposal is tailored for retailers like butcher shops, fruit stands, and other retailers that only sell one or two products. Essentially, it says that retailers who have 50 percent of their total sales in staple foods would be eligible. This test is important because it would eliminate marginal stores that sell only candy, or other "boardwalk" type foods since it requires the presence of staple foods.

In essence, Mr. Chairman, that's our proposal. And, I urge you and the subcommittee to consider the benefits of this proposed change. Not only would it assure the continued participation of stores like mine that provide a valuable benefit to many food stamp customers, but also it would assure in every case a wide variety of staple and other food items available in every store that a food stamp recipient can patronize.

On the enforcement side, this new definition will be much easier for both the government and the retail community to enforce. As I mentioned, in my company we currently have to align our sales tracking data along food stamp lines to prove compliance with the 50 percent sales test. FNS inspectors have to pour through reams of sales data to inspect and confirm our calculations. Under the new test, a simple visual inspection would suffice for ensuring compliance and save both sides a considerable amount of valuable time.

RESPONSE TO OPPOSITION

As with any new proposal, I understand that there are some points that have raised several questions. Let me try to address these quickly in my closing remarks.

I know that there are some who feel that this change will result in a whole new class of stores applying for food stamp authority. My initial reaction to this concern is that exactly the opposite will occur. For starters, any outlet that can meet the new test should be in the food stamp program and probably already is. In our case, the Town & Country stores are currently authorized, and the change for our industry simply means continuing our ability to participate.

Secondly, there are many outlets, like the example of my friend in the liquor store business, who will no longer qualify. In fact, many members of the convenience store industry will no longer qualify if they operate a small, kiosk-type of business that can't support the new variety of foods requirement. Moreover, I should also point out that, within the last several years, the actual number of stores in our industry has declined. Indeed, our industry has consolidated by several thousand stores as economic conditions have deteriorated in this country. Therefore, there are actually fewer U.S. convenience stores -- a trend, which I suspect is also true for other food retailers. At the same time, as you know, the number of food stamp recipients is at an all time high.

Another concern has arisen over an issue that our industry often faces -- namely the prices convenience stores charge. There is a perception that we are higher priced than our supermarket competitors. It is true that, because we carry a limited inventory of items and are open extended hours, our wholesale and overhead costs exceed those of the supermarket industry. But, it is also true that more than ever before, price is an important consumer issue. This era of value-conscious consumers and the advent of price clubs and a whole new category of discount outlets is changing retailing. The result in our industry is what you would expect -- competitive pricing on items like bread, milk and other staples. Our industry knows better than others that this is not the time to ignore the consuming public's demand for price competitiveness. I invite you to shop our stores and see for yourself how price competitive we are. In fact, my colleague from Kwik Shop will talk about this a little further.

CONCLUSION

As we sit here today, I'm facing withdrawal from the food stamp program for all but 19 of my stores. In some cases, these stores do a modest food stamp business. In many cases, food stamp sales are 15 percent or more of our food business. I have already heard from many of my food stamp customers that removal of our authority would be a hardship for them as our stores are the closest outlet they have for basic staples like bread and baby food. The Food and Nutrition Service has granted an extension until December 31 of this year for a delay on our withdrawal. This extension has been granted in recognition of the fact that the Congress may adopt a new method for determining eligibility -- a method the FNS supports.

You should also know that the grocery industry, ably represented by the Food Marketing Institute and the National Grocers Association, does not oppose Section 1 of this bill. They recognize and accept the long-standing role that the convenience store industry has had in the food stamp program. The legislative history of the program details this role and I urge you to adopt this technical change to the eligibility criteria as a necessary step to assure our continued ability to participate.

Thank you.

(Attachments follow:)

CURRENT ELIGIBILITY FORMULA FOR FOOD STAMP RETAILERS

A store can be authorized by the Food and Nutrition Service to accept food stamps if 50 percent of its food stamp eligible food sales are in staple foods. Written mathematically, retailers should apply the following formula:

| | |
|--|---|
| Annual staple food sales | is equal to or greater than 50%, then store CAN participate in the Food Stamp Program. |
| <hr/> | |
| Annual food stamp eligible food sales | |

The only foods that are eligible, but not staple, include coffee, tea, carbonated or uncarbonated drinks, candy, condiments, and spices.

FOUR STAPLE FOOD GROUPS

- (1) Meat, Poultry, or Fish
- (2) Bread or Cereals
- (3) Vegetables or Fruits
- (4) Dairy Products

STATEMENT OF GARY PFANNENSTIEL

Thank you Mr. Chairman and members of the subcommittee. My name is Gary Pfannenstiel. I am Vice President Director of Marketing of Kwik Shop, Inc. a wholly owned subsidiary of Dillon Companies, Inc., a division of the Kroger Company which is a publicly traded company on the New York Stock Exchange.

Our company currently operates 192 convenience stores in five states -- Kansas, Nebraska, Iowa, Oklahoma and Illinois. However, we are based out of Hutchinson, Kansas, which is also the home to your colleague, Congressman Roberts. In over 160 of these locations we also offer gasoline in addition to traditional convenience store items. By way of comparison to my friend Steve Stephens' company, our company operates a great deal of stores in working class neighborhoods in metropolitan areas. A large percentage of these customers are food stamp recipients and they frequent our stores for their shopping. To these customers, we are oftentimes their grocery store for milk, bread and other grocery items.

We also have many stores in rural areas. In most of these towns, the local grocery stores are open limited hours and are generally higher priced than metro supermarkets. In these towns, we are frequently chosen as the primary source for many grocery items by food stamp users.

For my time this morning, I'd like to supplement Mr. Stephens' testimony in two primary areas. First, I'd like to add our thoughts on the issue of price, raised by those who believe, in general, that convenience stores are not the ideal place for food stamp customers to shop because of a perceived price disadvantage. Second, I'll speak for just a few minutes on the merits of changing the eligibility test from the current sales-based test to the legislation before this committee which emphasizes food offer and variety. Let me address price first.

PRICE COMPETITIVENESS IN CONVENIENCE STORES

As I mentioned, our company is a wholly owned subsidiary of Dillon which is a division of the Kroger Company. As you already know, Kroger is one of the nation's leading supermarket companies. As such, we have access to a great wealth of information regarding the nature and strategies of supermarkets given our connection with Kroger. When we discovered that price was justifiably an issue of concern in the context of the food stamp program, we began to try and document what we already believed to be true -- that is, that our convenience stores are, in fact, price competitive with the supermarket industry. Mr. Stephens commented on the fact that consumers are demanding price value and, as a consequence, any convenience store operator wanting to stay in business has to respond. What we didn't have was empirical evidence that this response was, in fact, producing price competitive conditions.

To look at this, we took a market basket approach to directly compare the prices of 25 grocery items sold in our stores with the prices of the exact same items in, not one, but four geographically comparable supermarkets. Our findings are summarized in the chart attached to my testimony but, in essence, we believe that the results make the point. While we didn't expect that our stores would be lower in every case than their supermarket competitors, we did expect to find only marginal differences. Overall, our stores ranged from being 1.4 percent higher to 6.6 percent higher when viewed next to the supermarket industry. On two of the most basic items, whole milk and two percent milk, our prices were either equal to or lower than the supermarket prices in every case.

We have already identified the characteristics of our industry that lead to higher pricing. The pressure of higher wholesale costs, because we buy product in smaller quantities than supermarkets, together with higher overhead because of our extended operating hours, causes our pricing to sometimes exceed that of high volume, non-24 hour supermarkets. However, to compete, we have had to

respond to the price and value demands of our customers. In general, it is the staple food category in which our industry has made its price cutting efforts and there's a good reason for this.

Customers tend to price shop certain items. For the most part, milk, eggs, bread and other staples are the kinds of items whose prices tend to draw comparison. Therefore, our efforts at creating a price competitive environment have initially focused on these items. This is not to say that other categories in our stores aren't also constantly being reviewed, but the staple food category is typically the first. Being price competitive on the staple food category, however, also causes distortions in the current sales-based food stamp equation. This is my second point, so let me explain what I mean.

WHY THE SALES TEST DISTORTS STORE PROFILE

As noted during the explanation of the current sales test, staple food items make up the numerator in the equation if we refer to Mr. Stephens' chart. As our industry reduces the prices of these items to affect price competitiveness, the total dollar sales number will naturally decline. This factor alone obviously reduces our ability to meet the current 50 percent test even though nothing has changed in our stores but the price of staple foods. The problem is further exacerbated, however, because our industry, in total, has done a terrific job of promoting certain so-called denominator items like carbonated beverages for example. For every successful promotion where our denominator volume increases we move further away from attaining 50 percent. Again, all of this happens without one single thing changing with respect to what we offer for sale twenty-four hours a day, every day of the year.

This is what we mean when we speak of the distortions that a sales-based test can create. When you combine this information with the knowledge that what the criteria is attempting to do is identify locations that offer a broad variety of staple and other food stamp eligible foods, it becomes clear, to us anyway, that a new

test, like the proposal before us, that requires variety, staples and perishables is a much more direct and effective, not to mention simpler, way of ensuring that the types of stores desired will, in fact, be authorized to participate as food stamp retailers.

CONCLUSION

Mr. Chairman, over the years our company has taken food stamp customers and our role in the program quite seriously. As the dynamics I have discussed here today continue to intensify, my company, like Mr. Stephens' company, risks losing its ability to stay in the program. Already, we have lost four stores this year. Even though we have kept our staple food items competitive with supermarkets and provide a *bona fide* service to many food stamp customers, our continued ability to do this is clearly in jeopardy.

We are proud of our ability to partner with the government in assuring the availability of shopping opportunities to food stamp recipients which we believe is what Congress intends. Your favorable consideration of this new proposal would be an excellent example of government and industry working together to assure that the nation's food stamp community is not deprived of the convenience that other shoppers in America enjoy every day.

Finally, as I'm sure you can imagine, it is not everyday that I come to Washington seeking government action. We're facing a whole host of regulations from health care mandates to environmental regulations that the Congress has or may see fit to impose. On another day, I'd be happy to discuss the impact of some of these matters on our ability to do business. For today, however, I sincerely ask for your help in maintaining our industry's role in this important government program by adopting this change to the eligibility criteria -- a change that, I believe, will also substantially improve the caliber of all stores authorized to redeem food stamps.

Thank you.

(Attachment follows:)

ITEM DESCRIPTION

KWIK SHOP
RETAIL

| | A | B | C | D |
|--|------|------|------|------|
| Lays Regular | 1.99 | 1.99 | 1.99 | 1.79 |
| Wonder Sandwich Bread 24oz | 1.59 | 1.29 | 1.64 | 1.40 |
| Private Label White Sandwich Bread 24 oz | 0.69 | 0.79 | 0.69 | 0.50 |
| Private Label Cola 2 liter | 0.85 | 0.89 | 0.83 | 0.79 |
| Milk Gallon Whole | 2.19 | 2.19 | 2.39 | 2.29 |
| Milk Gallon 2% | 2.09 | 2.09 | 2.29 | 2.19 |
| Kraft Mild Cheddar Cheese | 1.99 | 1.99 | 2.27 | 2.35 |
| Kraft American Cheese | 1.79 | 1.75 | 1.99 | 1.95 |
| Eggs Dozen | 0.79 | 0.89 | 0.63 | 0.79 |
| Oscar Mayer All Meat Weiner | 2.79 | 2.79 | 2.49 | 3.29 |
| Oscar Mayer Bologna 8 oz | 1.69 | 1.59 | 1.49 | 1.79 |
| Kix Cereal 13 oz | 3.69 | 3.69 | 3.55 | 3.65 |
| Lucky Charms 14 oz | 3.99 | 3.99 | 3.69 | 3.95 |
| BC Hamburger Helper Stroganoff 8 oz | 1.99 | 1.95 | 1.89 | 1.89 |
| Campbell Chicken Noodle Soup 10.75 oz | 0.69 | 0.67 | 0.69 | 0.43 |
| Campbell Crm of Mushroom Soup 10.75oz | 0.79 | 0.83 | 0.79 | 0.45 |
| Food Club Tomato Soup 10.75 oz | 0.49 | 0.47 | 0.49 | 0.35 |
| Carey Plain Salt 26 oz | 0.49 | 0.42 | 0.45 | 0.45 |
| Chicken of the Sea Tuna in Water 6.125oz | 0.89 | 0.89 | 0.73 | 0.49 |
| Contadina Tomato Sauce 15 oz | 0.79 | 0.65 | 0.75 | 0.63 |
| Del Monte Peaches 16 oz | 1.19 | 1.09 | 1.15 | 0.89 |
| Food Club Whole Kernel Corn 17 oz | 0.55 | 0.55 | 0.59 | 0.54 |
| Food Club Black Pepper 1.75 oz | 0.99 | 0.89 | 1.45 | 0.95 |
| Food Club Instant Rice 14 oz | 1.39 | 1.09 | 1.59 | 1.39 |
| Jolly Time Yellow Popcorn 2 lb | 1.35 | 1.29 | 1.19 | 1.25 |

% DIFFERENCE COMPARED TO KWIK SHOP

-2.7%

-1.4%

-6.6%

-3.6%

TESTIMONY OF ELLEN M. VOLLINGER
LEGAL DIRECTOR
FOOD RESEARCH AND ACTION CENTER

Good morning. My name is Ellen Vollinger, and I am Legal Director of the Food Research and Action Center (FRAC). I would like to thank you, Mr. Chairman, and the other Members of the Subcommittee for inviting FRAC to testify concerning the need to assure adequate access by food stamp recipients to retail food stores.

I. The Food Stamp Program: First Line of Defense Against Hunger

The Food Stamp Program is our nation's largest and first defense against hunger. It is the only kind of public assistance that the federal government offers to low-income people no matter what their age or health status. The Program reaches a significant number of poor Americans; as of August 1993, 27.2 million persons were participating in the Program, just shy of the record high levels set earlier this year. Indeed, in August, there were 3.9 million more food stamp recipients than in June 1990 when the economy started to turn downward. While the recovery moves slowly to produce adequate numbers of jobs, the Food Stamp Program has been vital in tiding many families over.

The current hunger crisis underscores the critical need to maximize the ability of the Food Stamp Program to serve poor families. The Community Childhood Hunger Identification Project (CCHIP) survey released in 1991 documented that approximately 5 million children under the age of 12 in the United States go hungry

at some point each month. Reports from food pantries and kitchens confirm that for too many families, their food dollars (even accounting for their food stamp benefits) run short by the third week of the month.

We believe that enactment of the Mickey Leland Childhood Hunger Relief Act marked an important step in strengthening the ability of the Food Stamp Program to serve families with children. We applaud the leadership that you, Mr. Chairman, and other Members of the Subcommittee showed in passing the Leland Bill. We stand ready to assist you in future efforts to make additional needed improvements in the Program.

II. Concerns Regarding Withdrawal of Retail Food Stores

We understand that a significant number of small retail food stores are now at risk of losing their authorization to accept food stamps for food purchases. In the past year, pursuant to the Food, Agriculture, Conservation and Trade Act of 1990 (P.L. 101-624), the United States Department of Agriculture reportedly has reviewed a large volume of reauthorization applications. We understand that the Department has taken steps to eliminate hundreds of stores from participation in the Food Stamp Program. We are very concerned about the elimination of large numbers of retail outlets in terms of the potential impact on the recipient community.

III. Importance of Adequate Access

The location and accessibility of food outlets are among the



factors affecting the ability of low-income families to purchase an adequate diet. The food stamp recipient population is large and diverse. Food stamp recipients are found in every state and part of the nation -- in urban, suburban and rural communities. For many recipients, however, store choices and transportation options are quite limited.

At the request of then-Congressman Mike Espy and under the leadership of the late Congressman Mickey Leland, in 1987 the Select Committee on Hunger published a report entitled "Obtaining Food: Shopping Constraints on the Poor." We would like to acknowledge that some current Members of this Subcommittee played a role with the Select Committee at that time, including Congressmen Bill Emerson and Bob Smith.

As noted in the Select Committee report, during the late 1970's and early 1980's major supermarkets migrated away from the inner cities and low-income areas, toward the suburbs. For many low-income families, according to the report, smaller independent grocery stores or "mom and pop" type stores were the predominant options in their neighborhoods. Moreover, hearing testimony confirmed the existence of a similar access problem in many rural communities, where transportation "'to town' to shop for food" was a problem.

The situation is not far different in many rural areas and urban neighborhoods today. For example, in a report issued just last month regarding the need for strategies to attract major supermarkets to inner city areas, the Community Food Resource

Center of New York City noted that in many New York City neighborhoods the only food stores are bodegas or other small stores. The Center stated, "Requiring [persons without cars or elderly] households to travel to the nearest supermarket might mean long bus rides and costly car services." See Community Food Resource Center, "Expanding Access to Nutritious and Reasonably Priced Food: Stimulating Supermarket Development in Low Income Areas" (Recommendations Submitted to Secretary Espy Oct. 28, 1993).

We are concerned that the mission of the Food Stamp Program -- to meet families' food and nutrition needs -- may be undercut if large numbers of smaller stores located in low-income neighborhoods are deemed ineligible to accept food stamps. As the Select Committee report noted, "Transportation costs can be a significant part of the cost of shopping -- particularly for low-income consumers -- and they can negate some, if not all, savings that a consumer could have received by seeking to find food markets which offer more competitive prices."

IV. Legislative Remedy

Permitting "low-income households to obtain a more nutritious diet through normal channels of trade" is part of the enunciated goal of the Food Stamp Act of 1977. We believe that this bill can make a modest contribution toward this goal to the extent that it helps ensure greater recipient access to local outlets for purchase of nutritious foods.

The bill would make a modification to the present test a store

must satisfy to be considered an authorized "retail food store." It would authorize a store that has over 50 percent of its total sales volume in staple foods. As an alternative to that requirement, it would also allow a store to be authorized to accept food stamps if the store offers, on a continuous basis, a variety of food in each of four categories of staple foods, and sells perishable foods in at least two of these categories of staple foods. The four staple food categories are: 1) meat, poultry, or fish; 2) bread or cereals; 3) vegetables or fruits; and 4) dairy products.

We note that the legislation also includes program integrity features, particularly focusing on rooting out any retailer trafficking. Certainly, fraud in any program is unacceptable and should be addressed. Nonetheless, we would be remiss in not reminding the panel that by and large the Food Stamp Program does a very good job in maintaining integrity. In general, food stamp recipients and retailers abide by the regulations. For example, the most recent USDA data show that established recipient fraud claims represent less than 1 percent of benefits issued.

V. Conclusion

We applaud the leadership that you, Mr. Chairman, and the members of the Subcommittee have shown in offering legislation to help address the problem of withdrawal of retail food stores from the Food Stamp Program. We recognize that this measure has strong bipartisan support and hope that Congress will be able to move forward with it soon.



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